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**CITY OF HOLLY SPRINGS, MISSISSIPPI**

**Audited Financial Statements and  
Special Reports**

**September 30, 2019**

## CITY OF HOLLY SPRINGS, MISSISSIPPI

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**CITY OF HOLLY SPRINGS, MISSISSIPPI  
FINANCIAL SECTION**



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Stephen D. Flake, CPA
Harry W. Stevens, CPA	John N. Russell, CPA
S. Keith Winfield, CPA	Thomas A. Davis, CPA
William B. Staggers, CPA	Anita L. Goodrum, CPA
Michael W. McCully, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	Edward A. Maxwell, CPA
Thomas J. Browder, CPA	

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Board of Aldermen  
City of Holly Springs  
Holly Springs, Mississippi

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Holly Springs, Mississippi, as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the City of Holly Springs, Mississippi's basic financial statements as listed in the contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Holly Springs, Mississippi, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, and schedule of the City's contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Holly Springs, Mississippi's basic financial statements. The schedule of surety bonds is presented for purposes of additional analysis and is also not a required part of the basic financial statements.



The schedule of surety bonds for municipal officials is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of surety bonds for municipal officials is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, on our consideration of the City of Holly Springs, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Holly Springs, Mississippi's internal control over financial reporting and compliance.

West Point, Mississippi  
January 20, 2021

Watkins Ward and Stafford, P.C.

## BASIC FINANCIAL STATEMENTS

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Net Position**  
**September 30, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets:</u></b>			
Cash and cash equivalents	\$ 992,550	2,340,650	3,333,200
Investments	1,113,679	6,037,404	7,151,083
Receivables (Net):			
Accounts		3,169,709	3,169,709
Property taxes	42,045		42,045
Lease	294,532		294,532
Other	441,415	950,928	1,392,343
Notes receivable (Net)	15,000	1,461,323	1,476,323
Inventories		402,314	402,314
Prepaid items		46,343	46,343
Restricted assets:			
Investments		1,196,361	1,196,361
Capital assets, net of accumulated depreciation	13,804,518	40,230,381	54,034,899
<b>Total Assets</b>	<b>\$ 16,703,739</b>	<b>55,835,413</b>	<b>72,539,152</b>
<b><u>Deferred Outflow of Resources:</u></b>			
Deferred outflows related to pensions	198,159	1,082,291	1,280,450
Deferred outflows related to conservation receivables		17,534	17,534
Deferred outflows related to long-term debt		53,997	53,997
<b>Total outflows of resources</b>	<b>198,159</b>	<b>1,153,822</b>	<b>1,351,981</b>
<b><u>Liabilities:</u></b>			
Accounts payable	\$ 270,498	3,838,150	4,108,648
Accrued interest payable	15,451	191,883	207,334
Due to other entities	262,326	22,994	285,320
Other liabilities		316,089	316,089
Payable from restricted assets:			
Deposits		1,485,366	1,485,366
Noncurrent liabilities:			
Due within one year	626,614	1,649,587	2,276,201
Due in more than one year	5,707,493	14,048,994	19,756,487
Net pension liability	6,928,596	7,753,873	14,682,469
<b>Total Liabilities</b>	<b>13,810,978</b>	<b>29,306,936</b>	<b>43,117,914</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Net Position**  
**September 30, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Deferred inflows of Resources:</b>			
Deferred inflows related to pensions	124,487	293,766	418,253
Deferred inflows related to unearned income		31,834	31,834
Total deferred inflows of resources	<u>124,487</u>	<u>325,600</u>	<u>450,087</u>
 <b><u>Net Position:</u></b>			
Invested in capital assets, net of related debt		24,531,800	24,531,800
Restricted for:			
Debt service		1,158,975	1,158,975
Unrestricted	2,966,433	1,665,924	4,632,357
Total Net Position	<u>\$ 2,966,433</u>	<u>27,356,699</u>	<u>30,323,132</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 3,156,951	26,456	-	-	(3,130,495)		(3,130,495)
Public safety	2,205,624	205,770	7,647	-	(1,992,207)		(1,992,207)
Public works	1,365,164	559,162	-	7,778	(798,224)		(798,224)
Cemetery	402,408	20,432	-	-	(381,976)		(381,976)
Health and welfare	314	-	-	-	(314)		(314)
Culture and recreation	337,694	58,876	-	-	(278,818)		(278,818)
Community development	400,883	-	-	-	(400,883)		(400,883)
Intergovernmental	259,742	-	-	-	(259,742)		(259,742)
Interest on long-term debt	112,281	-	-	-	(112,281)		(112,281)
Total Governmental Activities	8,241,061	870,696	7,647	7,778	(7,354,940)		(7,354,940)
<b>Business-type Activities:</b>							
Electric	27,435,281	27,840,447	-	-		405,166	405,166
Water	2,632,884	1,699,178	-	-		(933,706)	(933,706)
Sewer	1,055,085	1,049,323	-	-		(5,762)	(5,762)
Gas	3,017,102	3,425,612	-	-		408,510	408,510
Total Business-type Activities	34,140,352	34,014,560	-	-	-	(125,792)	(125,792)
Total Government	\$ 42,381,413	34,885,256	7,647	7,778	(7,354,940)	(125,792)	(7,480,732)
<b>General revenues:</b>							
<b>Taxes:</b>							
Current year					\$ 1,499,867		1,499,867
Prior year, penalties and interest					33,234		33,234
Intergovernmental:							
Local					3,050,151		3,050,151
State					1,997,915		1,997,915
Federal					-	2,527	2,527
Interest					8,398	124,690	133,088
Miscellaneous					128,154		128,154
Transfers					306,640	(306,640)	-
Total General Revenues and Transfers					7,024,359	(179,423)	6,844,936
Change in net assets					(330,581)	(305,215)	(635,796)
Net assets at beginning of year					3,297,014	27,661,914	30,958,928
Net assets at end of year					\$ 2,966,433	27,356,699	30,323,132

The accompanying notes are an integral part of these financial statements

**GENERAL FUNDS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets:</u></b>			
Cash and cash equivalents	\$ 503,250	489,300	992,550
Investments	1,113,679		1,113,679
Receivables (Net):			
Property taxes	12,420	29,625	42,045
Lease receivable	294,532		294,532
Other	441,415		441,415
Notes receivable (Net)	15,000		15,000
Due from other funds	11,734	520,477	532,211
Total Assets	<u>\$ 2,392,031</u>	<u>1,039,402</u>	<u>3,431,433</u>
<b><u>Liabilities:</u></b>			
Accounts payable	\$ 267,603	1,494	269,097
Due to other funds	769,779	11,385	781,164
Other liabilities	1,401		1,401
Due to other entities		13,374	13,374
Total Liabilities	<u>1,038,783</u>	<u>26,253</u>	<u>1,065,036</u>
<b><u>Fund Balances:</u></b>			
Reserved for:			
Fire protection		93,321	93,321
Unemployment benefits		20,815	20,815
Home Grants		15	15
Cemetery		203,714	203,714
Community Development		98,020	98,020
Debt service		597,264	597,264
Unreserved	1,353,248		1,353,248
Total Fund Balances	<u>1,353,248</u>	<u>1,013,149</u>	<u>2,366,397</u>
<b><u>Total Liabilities and Fund Balances</u></b>	<u>\$ 2,392,031</u>	<u>1,039,402</u>	<u>3,431,433</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to Statement of Net Position**  
**September 30, 2019**

Total fund balance - total governmental funds	\$ 2,366,397
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	13,804,518
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Interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the governmental funds balance sheet.	(15,451)
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Long-term liabilities are not due and payable in the current period and, therefore not reported in the governmental funds balance sheet:

Due within one year	\$ 626,614	
Due in more than one year	5,707,493	
Pension liability and related deferred outflows and inflows	6,854,924	<u>(13,189,031)</u>

Net Assets of Governmental Activities	\$ <u><u>2,966,433</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues:</u></b>			
Taxes:			
Current year	\$ 1,499,867		1,499,867
Prior year, penalties and interest	33,234		33,234
Licenses and permits	26,456		26,456
Intergovernmental:			
Federal revenue	7,778		7,778
State shared:			
Sales tax	1,350,236	357,348	1,707,584
State grants	7,647		7,647
Liquor privilege tax	4,725		4,725
TVA in-lieu	180,353		180,353
Gasoline tax	-		-
General municipal aid	3,839		3,839
Homestead reimbursement	101,414		101,414
Local revenue	3,050,151		3,050,151
Charges for services	618,038		618,038
Fines and forfeits	205,770		205,770
Miscellaneous revenues	150,274	7,161	157,435
Total Revenues	<u>7,239,782</u>	<u>364,509</u>	<u>7,604,291</u>
<b><u>Expenditures:</u></b>			
General government	2,956,104		2,956,104
Public Safety:			
Police	1,235,531		1,235,531
Fire	841,781		841,781
Public Works:			
Highways and streets	633,170		633,170
Sanitation	409,755		409,755
Cemetery	376,779		376,779
Health and welfare	314		314
Culture and recreation	335,006		335,006
Community development	468	400,415	400,883
Debt service:			
Principal	677,079		677,079
Interest and fiscal charges	112,281		112,281
Intergovernmental	259,742		259,742
Total Expenditures	<u>7,838,010</u>	<u>400,415</u>	<u>8,238,425</u>
Excess of Revenues Over (Under) Expenditures	<u>(598,228)</u>	<u>(35,906)</u>	<u>(634,134)</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Operating transfers in	306,640		306,640
Total Other Financing Sources (Uses)	<u>306,640</u>	<u>-</u>	<u>306,640</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(291,588)	(35,906)	(327,494)
<b><u>Fund Balances:</u></b>			
October 1, 2018	1,644,836	1,049,055	2,693,891
September 30, 2019	<u>\$ 1,353,248</u>	<u>1,013,149</u>	<u>2,366,397</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**In Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2019**

Net change in fund balances - total governmental funds	\$	(327,494)
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Amounts reported for governmental activities in the statement  
of activities are different because:

The Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

677,079

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in governmental funds.

(548,822)

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources, therefore, accrued interest expense is not reported as an expenditure in governmental funds.

\$ 2,269

Change in long-term compensated absences		9,783
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Change in unfunded pension liability		<u>(143,396)</u>
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Change in Net Position of Governmental Activities	\$	<u>(330,581)</u>
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The accompanying notes to financial statement are an integral part of these financial statements

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**September 30, 2019**

	Business-type Activities				
	Enterprise Funds				
	June 30, 2019	September 30, 2019			
	Electric Department	Water Department	Sewer Department	Gas Department	Total Proprietary Funds
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 1,911,141	34,921	393,704	884	2,340,650
Investments	3,860,368	363,432	258,540	1,555,064	6,037,404
Receivables (Net):					
Accounts	3,169,709				3,169,709
Notes	1,461,323				1,461,323
Other	938,135		-		938,135
Due from other departments	-	-	58,717		58,717
Due from city		25,000	225,000		250,000
Inventories	281,642	65,807	8,580	46,285	402,314
Prepaid Items	33,694	3,712	3,712	5,225	46,343
Other current assets	-	3,000	1,350	8,443	12,793
Total Current Assets	<u>11,656,012</u>	<u>495,872</u>	<u>949,603</u>	<u>1,615,901</u>	<u>14,717,388</u>
Restricted Assets:					
Bond sinking funds	545,295	277,295	43,472	292,913	1,158,975
Investments	<u>37,386</u>	<u>-</u>	<u></u>	<u></u>	<u>37,386</u>
Total Restricted Assets	<u>582,681</u>	<u>277,295</u>	<u>43,472</u>	<u>292,913.00</u>	<u>1,196,361</u>
Non-current Assets:					
Capital assets:					
Land	157,020	62,092	-	1,118	220,230
Construction in progress	5,525,157	562,129	919,659	1,640,751	8,647,696
Other capital assets, net of accumulated depreciation	<u>14,777,613</u>	<u>6,832,355</u>	<u>4,451,268</u>	<u>5,301,219</u>	<u>31,362,455</u>
Total Non-current Assets	<u>20,459,790</u>	<u>7,456,576</u>	<u>5,370,927</u>	<u>6,943,088</u>	<u>40,230,381</u>
Total Assets	<u>32,698,483</u>	<u>8,229,743</u>	<u>6,364,002</u>	<u>8,851,902</u>	<u>56,144,130</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to the net pension liability	749,236	191,386	47,127	94,542	1,082,291
Deferred outflows related to the conservation receivable	17,534				17,534
Deferred outflows related to the long-term debt		43,612	6,954	3,431	53,997
Total Non-current Assets					
Total Assets	\$ <u>766,770</u>	<u>234,998</u>	<u>54,081</u>	<u>97,973</u>	<u>1,153,822</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**September 30, 2019**

	Business-type Activities				
	Enterprise Funds				
	June 30, 2019	September 30, 2019			
	Electric Department	Water Department	Sewer Department	Gas Department	Total Proprietary Funds
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 3,838,150				3,838,150
Customer deposits	1,252,339	65,803		167,224	1,485,366
Due to other departments	28,693	88,937	60,145	153,936	331,711
Current portion of long-term deb	337,535	156,641	135,337	301,065	930,578
Notes payable	719,009	-	-		719,009
Accrued expenses	26,558	43,780	11,477	110,068	191,883
Other	201,522	42,901	11,084	60,582	316,089
Total Current Liabilities	6,403,806	398,062	218,043	792,875	7,812,786
Non-current liabilities:					
Net pension liability	4,801,939	1,394,868	486,594	1,070,472	7,753,873
Long-term debt	4,508,129	3,501,236	975,739	5,063,890	14,048,994
Total Non-current Liabilities	9,310,068	4,896,104	1,462,333	6,134,362	21,802,867
Total Liabilities	15,713,874	5,294,166	1,680,376	6,927,237	29,615,653
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to the net pension liability	118,350	26,981	48,502	99,933	293,766
Deferred inflows related to the unearned income	31,834				31,834
Total Deferred Inflows	150,184	26,981	48,502	99,933	325,600
<b>Net Position</b>					
Invested in capital assets, net of related debt	14,895,117	3,798,699	4,259,851	1,578,133	24,531,800
Restricted:					
Debt service	545,295	277,295	43,472	292,913	1,158,975
Unrestricted	2,160,783	(932,400)	385,882	51,659	1,665,924
Total Net Position	\$ 17,601,195	3,143,594	4,689,205	1,922,705	27,356,699

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	Business - type Activities Enterprise Funds				Total Proprietary Funds
	June 30, 2019	September 30, 2019			
	Electric Department	Water Department	Sewer Department	Gas Department	
<b><u>Operating Revenues:</u></b>					
Charges for services	\$ 27,840,447	1,699,178	1,049,323	3,425,612	34,014,560
<b><u>Operating Expenses:</u></b>					
Power purchased	19,514,537				19,514,537
Gas purchased				1,437,813	1,437,813
Operation and maintenance	4,772,316	1,460,215	536,773	830,621	7,599,925
Depreciation	1,096,892	774,360	384,920	218,844	2,475,016
Taxes	1,887,653	273,382	89,736	338,674	2,589,445
Total Operating Expenses	<u>27,271,398</u>	<u>2,507,957</u>	<u>1,011,429</u>	<u>2,825,952</u>	<u>33,616,736</u>
Operating Income (Loss)	<u>569,049</u>	<u>(808,779)</u>	<u>37,894</u>	<u>599,660</u>	<u>397,824</u>
<b><u>Nonoperating Revenues:</u></b>					
Federal grant awarded			2,527		2,527
State grant awarded					
Interest revenue	<u>97,845</u>	<u>6,668</u>	<u>4,257</u>	<u>15,920</u>	<u>124,690</u>
Total Nonoperating Revenues	<u>97,845</u>	<u>6,668</u>	<u>6,784</u>	<u>15,920</u>	<u>127,217</u>
<b><u>Nonoperating Expenses:</u></b>					
Interest expense	163,883	121,517	40,531	191,012	516,943
Amortization	-	3,410	3,125	138	
Miscellaneous					
Total Nonoperating Expenses	<u>163,883</u>	<u>124,927</u>	<u>43,656</u>	<u>191,150</u>	<u>516,943</u>
Net Income (Loss) before Contributions and Transfers	<u>503,011</u>	<u>(927,038)</u>	<u>1,022</u>	<u>424,430</u>	<u>5,571</u>
<b><u>Other</u></b>					
Transfers out				(306,640)	(306,640)
Total Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(306,640)</u>	<u>(306,640)</u>
Change in Net Position	<u>503,011</u>	<u>(927,038)</u>	<u>1,022</u>	<u>117,790</u>	<u>(305,215)</u>
<b><u>Net Position - Beginning of Year</u></b>	<u>17,098,184</u>	<u>4,070,632</u>	<u>4,688,183</u>	<u>1,804,915</u>	<u>27,661,914</u>
<b><u>Net Position - End of Year</u></b>	<u>\$ 17,601,195</u>	<u>3,143,594</u>	<u>4,689,205</u>	<u>1,922,705</u>	<u>27,356,699</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

<b><u>Cash Flows from Operating Activities:</u></b>	
Cash received from customers	
Other operating cash receipts	
Cash payments to suppliers for goods and services	
Operating expenses	
Taxes	
Net Cash Provided by (Used in) Operating Activities	
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Cash paid to City	
Net Cash Flows from Noncapital Financing Activities	
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Acquisition of capital assets (net of removal and salvage)	
Retirement of capital assets	
Receipt of federal grants awarded	
Proceeds from borrowing	
Principal payment on long-term debt	
Change in sinking funds	
Interest paid	
Net Cash Used in Noncapital Financing Activities	
<b><u>Cash Flows from Investing Activities:</u></b>	
Change in investments	
TVA advances	
Net Cash Flows from Investing Activities	
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	
<b><u>Cash and Cash Equivalents at End of Year</u></b>	

	Business-type Activities				
	Enterprise Funds				Total
	June 30, 2019	September 30, 2019			
	Electric Department	Water Department	Sewer Department	Gas Department	Proprietary Funds
\$	27,520,262	1,585,367	795,595	3,060,835	32,962,059
	746,401	31,042	15,928	39,711	833,082
	(19,805,475)				(19,805,475)
	(4,772,316)	(1,460,215)	(536,773)	(2,268,434)	(9,037,738)
	(1,887,653)	(273,382)	(89,736)	(32,034)	(2,282,805)
	1,801,219	(117,188)	185,014	800,078	2,669,123
	-	-	-	(306,640)	(306,640)
				(306,640)	(306,640)
	(2,778,305)	(49,358)	(44,404)	(29,270)	(2,901,337)
	(18,964)		2,527		(18,964)
	3,000,000				3,000,000
	(784,394)	(149,313)	(131,344)	(291,538)	(1,356,589)
	(456,658)	(114,335)	(3,456)	20,320	(554,129)
	(158,836)	(127,212)	(48,878)	(192,285)	(527,211)
	(1,197,157)	(440,218)	(225,555)	(492,773)	(2,355,703)
	172,558	374,490	61,460	(238,716)	369,792
	(4,723)				(4,723)
	167,835	374,490	61,460	(238,716)	365,069
	771,897	(182,916)	20,919	(238,051)	371,849
	1,139,244	217,837	372,785	238,935	1,968,801
\$	1,911,141	34,921	393,704	884	2,340,650

The accompanying notes to financial statement are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	Business-type Activities				Total Proprietary Funds
	Enterprise Funds				
	June 30, 2019	September 30, 2019			
	Electric Department	Water Department	Sewer Department	Gas Department	
Reconciliation of income from operations to net cash provided by operating activities:					
Income (loss) from operations	\$ 569,049	(808,779)	37,894	599,660	397,824
Adjustments to reconcile income loss from operations to net cash provided by operating activities:					
Depreciation	1,548,829	774,360	384,920	218,844	2,926,953
Other Adjustments					
(Increase) Decrease in current assets:					
Receivables	(499,568)				(499,568)
Due from other departments	1,966,754	69,330	(58,717)		1,977,367
Inventories	134,090	16,357	3,544	16,429	170,420
Prepaid expenses	18,545	88,915	9,274	20,448	137,182
Other current assets	(1,461,323.00)	(49)	(37)	(2,179)	(1,463,588)
Deferred outflows of resources	(315,039)	6,549	(3,164)	(12,848)	(324,502)
Increase (Decrease) in current liabilities:					
Accounts payable	(753,573)				(753,573)
Due to other departments	(37,680)	(361,725)	(198,528)	(60,964)	(658,897)
Customer deposits	32,237	(1,000)		(3,995)	27,242
Other liabilities	41,921	10,272	(1,539)	(2,994)	47,660
Net pension liability	959,608	93,671	(24,537)	(44,769)	983,973
Deferred inflows of resources	(402,631)	(5,089)	35,904	72,446	(299,370)
Net Cash Provided by (Used in) Operating Activities	\$ 1,801,219	(117,188)	185,014	800,078	2,669,123

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Fund Net Position - Fiduciary Funds**  
**September 30, 2019**

	<b><u>Agency Funds</u></b>
<b><u>Assets:</u></b>	
Receivables (net):	
Property taxes	\$ <u>48,970</u>
Total Assets	<u>48,970</u>
<b><u>Liabilities:</u></b>	
Other liabilities	<u>48,970</u>
Total Liabilities	<u>48,970</u>
<b><u>Net Position</u></b>	
Held in Trust for Others	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2019**

	<u><b>Agency Funds</b></u>
<b><u>Additions:</u></b>	
Property taxes	\$ 4,656,138
Total Additions	<u>4,656,138</u>
<b><u>Deductions:</u></b>	
Payments to school district	<u>4,656,138</u>
Total Deductions	<u>4,656,138</u>
Change in Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.



**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Holly Springs, Mississippi, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the City has elected to follow (1) all GASB pronouncements and (2) all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinion, and Accounting Research Bulletins (ARB), no matter when issued, except those that conflict with a GASB pronouncement. The more significant of the government's accounting policies are described below.

**a. Financial Reporting Entity**

The City of Holly Springs, located in Marshall County, Mississippi, was incorporated in 1837, and operates under an elected Mayor-Board of Aldermen form of government. The City provides the following services to the citizenry: general administration; electricity, water, sewer, gas and garbage disposal; police and fire protection; economic development; street repair and library services. The primary sources of revenues are property taxes, utility billings and sales taxes. Various criteria are applied in order to determine the various funds and activities which should be reported as part of the City. Such criteria includes oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and fiscal responsibility, and inter-agency relationships. All agencies meeting the above criteria are included in the financial statements of the City. As required by generally accepted accounting principles, these financial statements present the entities for which the government is considered to be financially accountable. All departments have a September 30 year-end except for the Electric Department which has a June 30 year end in compliance with Tennessee Valley Authority's reporting regulations.

Included within the reporting entity:

**City of Holly Springs Electric Department.** The Electric Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

**City of Holly Springs Water Department.** The Water Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**City of Holly Springs Sewer Department.** The Sewer Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

**City of Holly Springs Gas Department.** The Gas Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

Excluded from the reporting entity:

**Holly Springs School District.** The Holly Springs School District's governing board is appointed primarily by the City's governing body (four of the five members). The City does not hold title to any of the school's assets, nor does it have any right to the school's surpluses. The City does not have the ability to exercise influence over daily operations or approve budgets.

**City of Holly Springs Housing Authority.** The Housing Authority's governing board is appointed by the City's governing body. The City does not hold title to any of the Housing Authority's assets, nor does it have any rights to its surpluses. The City does not have the ability to exercise influence over daily operations or approve budgets.

**b. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. The net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b. Government-wide and Fund Financial Statements (Continued)**

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments.

Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Major revenue sources susceptible to accrual include: sales and use taxes, tourism taxes, property taxes, franchise taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note 1 for information describing restricted assets.

**Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed. The City reports the following Governmental Funds:

- a) *General Fund* – The General Fund is the City's primary operating fund. It accounts for all financial resources of the City's general government, except those required to be accounted for in another fund.
- b) *Special Revenue Funds* – Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.
- c) *Debt Service Funds* – Debt Service Funds account for the servicing of general long-term debt.
- d) *Capital Projects Funds* – Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects (other than those financed by proprietary funds).

**Proprietary Funds**

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following Proprietary Funds:

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Proprietary Funds (Continued)**

- a) *Enterprise Funds* – Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business, primarily through user charges or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

**Fiduciary Funds**

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent.

- a) *Agency Funds* – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus.

**d. Major Funds**

For 2019, the City reports the following major Governmental Funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

The City reports the following major Enterprise Funds:

Electric Department – accounts for the operating activities of the City's electric utility services.

Water Department – accounts for the operating activities of the City's water utility services.

Sewer Department – accounts for the operating activities of the City's sewer and sewer treatment facility utility services.

Gas Department – accounts for the operating activities of the City's natural gas utility services.

**e. Cash and Cash Equivalents**

Cash and cash equivalents are stated at cost, which approximates market. The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Investments**

The City can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

**g. Inventories**

Inventories of the enterprise funds are stated at cost as determined by the moving average method. The governmental funds record inventorable items as expenses when purchased, thus inventories of supplies on hand are not reported as assets.

**h. Restricted Assets**

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes.

**i. Capital Assets**

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical costs or estimated historical costs based on appraisals or deflated current replacement costs. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Capital assets are defined by the city as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisitions and construction are reflected as expenditures in the governmental fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statement.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. Capital Assets (Continued)**

The following schedule details the capitalization thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

**j. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**k. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**l. Compensated Employee Absences**

Employees can accumulate vacation days and sick days up to a maximum at which point any additional days are lost. However, additional days still accrue and may be credited to service in determining retirement benefits. Employees are completely vested in vacation days up to the maximum in that they can take them or be paid for them upon termination. Sick days may be taken only for bona fide sickness and are lost upon termination of employment.

The City accrues compensated absences when vested. The current portions of the Governmental Funds' compensated absences liabilities are recorded as accrued liabilities. The current and noncurrent portions are recorded in the government-wide financial statements. The amount of vacation recognized as expense is the amount earned during the year.

**m. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Mississippi Municipal Liability Plan to cover such losses. The City is currently a defendant in several law suits in various stages. While the litigation is at too early a stage to accurately evaluate, legal representatives for the Mississippi Municipal Liability Plan anticipate the plan covering any judgment that may be assessed against it. Settled claims have not exceeded coverage in any of the past three years.

**n. Environmental Risk for Possible Clean-up from City-owned Facilities**

As a distributor of water, sewer, gas, and electricity, there is a possibility that environmental conditions may arise which would require the City and its component unites to incur clean-up costs. The likelihood of such an event or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect the City's financial position or future cash flows.

**o. Economic Dependency**

The City depends on financial resources flowing from, or associated with, the State of Mississippi and the collection of local property taxes. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and appropriations, and the City is reliant on the continuing existence of an adequate local tax base to fund the City's operations.



**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**p. Fund Balances**

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the city:

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used for the specific purposes pursuant to constraints imposed by a formal action of the Board of Selectmen, the City's highest level of decision-making authority. This formal action is a resolution approved by the Board of Selectmen.

*Assigned fund balance* includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is a residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Board of Selectmen pursuant to authorization established by the City's approved fund balance policy.

*Unassigned fund balance* is the residual classification for the general fund. This classification represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**q. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowance for doubtful accounts and depreciation.

**NOTE 2: PROPERTY TAX**

Taxes are levied in September each year and are payable in the subsequent year between January 1 and February 1. Property taxes attach an enforceable lien on property as of January 1 of the year subsequent to that to which the tax applies.

The tax rates applicable to 2018 are as follows:

<u>City of Holly Springs</u>	<u>Mills</u>
General fund	35.77
Fire protection	.21
Police Bond	3.04
	<u>39.02</u>
<u>Separate School District</u>	
District maintenance	49.00
School special	1.00
School bond	12.65
School note	3.00
	<u>65.65</u>
Total	<u>104.67</u>

All real and personal property taxes are collected by Marshall County and remitted to the City the month following collection. Collected but unremitted taxes as of September 30, 2019, have been properly accrued in the financial statements.

- a. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
- b. The budget as submitted is reviewed by the Mayor and Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 30.
- c. The budget is formally revised during July of each year or anytime a deficit is indicated.
- d. Budgetary comparisons are employed by management as a management control device during the year for all funds.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 2: PROPERTY TAX (Continued)**

- e. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

**NOTE 3: BUDGET POLICY**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 30, the City Clerk submits to the Mayor and Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenses and expenditures and the means of financing them.
- b. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
- c. The budget as submitted is reviewed by the Mayor and Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 30.
- d. The budget is formally revised during July of each year or anytime a deficit is indicated.
- e. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- f. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 3: BUDGET POLICY (Continued)**

All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

**NOTE 4: CASH AND INVESTMENTS**

**Deposits**

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

All of the City's funds eligible to be included in the state's collateral pool program were properly included and fully collateralized as of September 30, 2019.

**Investments**

The City has certificates of deposits with local banks which it classifies as "Investments". The purpose of these investments is primarily to fund bond ordinance requirements and various construction projects. All certificates of deposit are purchased with a maturity of twelve months from the date of purchase.

**NOTE 5: CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION**

	<b>9/30/2019</b>				
	<u>Beginning Balance</u>	<u>Increases</u>	<u>De- creases</u>	<u>Adjust- ments</u>	<u>Ending Balance</u>
<b><u>Governmental Activities:</u></b>					
Land	\$ 1,020,054	-	-	-	1,020,054
Buildings and equipment	11,162,537	-	-	-	11,162,537
Streets	10,086,303	-	-	-	10,086,303
Less accumulated depreciation	( 7,915,554)	( 548,822)	-	-	( 8,464,376)
Governmental Activities					
Capital Assets, Net	\$ 14,353,340	( 548,822)	-	-	13,804,518

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 5: CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION (CONTINUED)**

	<u>9/30/2019</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass- ifications</u>	<u>Ending Balance</u>
<b><u>Business-type Activities</u></b>					
Non-depreciable Capital Assets:					
Land	\$ 220,230	-	-	-	220,230
Construction in progress	<u>6,485,088</u>	<u>2,162,608</u>	<u>-</u>	<u>-</u>	<u>8,647,696</u>
Total Non-depreciable Capital Assets	<u>6,705,318</u>	<u>2,162,605</u>	<u>-</u>	<u>-</u>	<u>8,867,926</u>
<b><u>Depreciable Capital Assets</u></b>					
Buildings and equipment	8,661,961	84,510	-	-	8,746,471
Distribution and collection systems	<u>61,244,591</u>	<u>654,219</u>	<u>( 25,782)</u>	<u>-</u>	<u>61,873,028</u>
Total Depreciable Capital Assets	<u>69,906,552</u>	<u>738,729</u>	<u>( 25,782)</u>	<u>-</u>	<u>70,619,499</u>
Accumulated Depreciation					
Buildings and equipment	( 6,875,366)	( 822,874)	-	-	( 7,698,240)
Distribution and collection systems	<u>(29,499,471)</u>	<u>(2,107,490)</u>	<u>48,157</u>	<u>-</u>	<u>(31,558,804)</u>
Total Accumulated Depreciation	<u>(36,374,837)</u>	<u>(2,930,364)</u>	<u>48,157</u>	<u>-</u>	<u>(39,257,044)</u>
Total Depreciable Capital Assets, Net	\$ <u>33,531,715</u>	<u>(2,191,635)</u>	<u>22,375</u>	<u>-</u>	<u>31,362,455</u>
Total Capital Assets, Net	\$ <u>40,237,033</u>	<u>( 29,027)</u>	<u>22,375</u>	<u>-</u>	<u>40,230,381</u>

General infrastructure assets have been recorded and depreciated since the implementation of GASB 34 on October 1, 2002.

Depreciation expense was charged to functions as follows:

<b><u>Governmental Activities:</u></b>	<u><b>9/30/19</b></u>
General government	\$ 63,432
Public Safety:	
Police	99,952
Fire	34,882
Cemetery	25,629
Street	322,239
Recreation	2,688
Total Governmental Activities Depreciation Expense	<u>\$ 548,822</u>

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 5: CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION (CONTINUED)**

**Business-type Activities:**

Electric	\$ 1,096,892
Water	774,360
Sewer	384,920
Gas	<u>218,844</u>
Total Business-type Activities	
Depreciation Expense	\$ <u>2,475,016</u>

In addition to the above amounts charged to depreciation expense in the Electric Department, utility accounting requires certain depreciation to be charged to building and transportation expenses. The net amount in 2019 is \$455,348.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities reported in the government-wide financials for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Additions/ Proceeds</u>	<u>Reductions/ Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government Activities:					
Bonds payable:					
General Obligation					
Bonds - Street	\$ 1,180,000		(115,000)	1,065,000	120,000
General Obligation					
Bonds - Police Station	2,190,000		(195,000)	1,995,000	195,000
Total	<u>3,370,000</u>	<u>-</u>	<u>(310,000)</u>	<u>3,060,000</u>	<u>315,000</u>
Notes Payable:					
Wenco	293,391		(26,368)	267,023	26,368
TIF (Kenlan)	28,000		(28,000)	-	-
State aid	166,316		(97,220)	69,096	69,096
MDA	2,625,000		(150,000)	2,475,000	150,000
Total	<u>3,112,707</u>	<u>-</u>	<u>(301,588)</u>	<u>2,811,119</u>	<u>245,464</u>
Capital Lease Obligations:					
Fire truck	-		-	-	-
Ariel Fire truck	69,392		(14,823)	54,569	15,482
Pierce Fire Truck	341,328		(28,615)	312,713	28,615
Storm Warning System	22,053		(22,053)	-	22,053
Police Autos	-		-	-	-
Total	<u>432,773</u>	<u>-</u>	<u>(65,491)</u>	<u>367,282</u>	<u>66,150</u>
Compensated absences	<u>105,489</u>		<u>(9,783)</u>	<u>95,706</u>	<u>-</u>
Total Governmental Activities	<u>7,020,969</u>	<u>-</u>	<u>(686,862)</u>	<u>6,334,107</u>	<u>626,614</u>
Business-type Activities:					
Bonds payable:					
Electric department	1,975,000	3,000,000	(285,000)	4,690,000	290,000
Water department	3,746,788		(119,914)	3,626,875	125,639
Sewer department	813,700		(27,972)	785,728	29,467
Gas department	4,037,497		(80,515)	3,956,982	83,623
Total Bonds Payable	<u>10,572,985</u>	<u>3,000,000</u>	<u>(513,401)</u>	<u>13,059,585</u>	<u>528,729</u>

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 6: LONG-TERM LIABILITIES (Continued)**

	<u>Beginning Balance</u>	<u>Additions/ Proceeds</u>	<u>Reductions/ Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable:					
Electric department	1,182,297		(463,288)	719,009	719,009
Gas department	1,618,996		(211,023)	1,407,973	217,442
Total Notes Payable	<u>1,182,297</u>	<u>-</u>	<u>(463,288)</u>	<u>2,126,982</u>	<u>936,451</u>
Capital Lease Obligations:					
Electric Department	191,770		(36,106)	155,664	47,535
Water Department	60,402		(29,400)	31,002	31,002
Sewer Department	428,721		(103,373)	325,348	105,870
Total Bonds Payable	<u>680,893</u>	<u>-</u>	<u>(168,879)</u>	<u>512,014</u>	<u>184,407</u>
Total Long-term Liabilities	<u>\$ 12,436,175</u>	<u>3,000,000</u>	<u>(1,145,568)</u>	<u>15,698,581</u>	<u>1,649,587</u>



**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**Note 6: LONG-TERM LIABILITIES (CONTINUED)**

Detail of bonds, notes and capital leases:

	<b>Date Issued</b>	<b>Final Maturity</b>	<b>Range Interest Rates at Issue Date</b>	<b>Original Amount</b>	<b>Balance at 9/30/19</b>	
					<b>Governmental Activities</b>	<b>Business Activities</b>
<b>General Obligations Bonds:</b>						
Police bonds	3/1/2008	3/1/2028	4.000%	3,500,000	1,995,000	
Water and sewer	7/2/2012	4/1/2032	various	2,125,000		1,370,000
Streets	8/1/2015	8/1/2027	various	1,500,000	1,065,000	
<b>Notes Payable:</b>						
C.I.T. Equipment	9/30/2008	12/1/2027	3.000%	522,174	267,023	
TIF (Kenlan)	12/1/2008	12/1/2018	5.000%	225,000	-	
State aid	7/1/2010	7/1/2020	3.000%	873,000	69,096	
<b>Mississippi Development</b>						
Authority	3/1/2015	3/1/2025	0.000%	3,000,000	2,475,000	
Line of Credit - Electric	2/17/2016	N/A	1.150%	2,000,000		719,009
Due to Electric	9/1/2018	9/1/2025	3.000%	1,618,996		1,407,973
<b>Capital Lease Obligations:</b>						
Fire truck	8/5/2012	8/8/2022	4.392%	140,000	54,569	
Pierce Fire Truck	4/5/2013	4/5/2028	3.860%	469,216	312,713	
Street Compactor	3/26/2013	2/26/2017	3.225%	60,000		
Storm Warning System	4/10/2014	4/10/2019	4.100%	124,875	-	
Brush Cutter - Electric	12/15/2016	12/15/2022	3.255%	245,500		155,664
Two (2) Ford F-150's Water	4/28/2017	4/28/2020	5.450%	120,975		31,002
Vacuum Truck - Sewer	12/22/2016	12/22/2021	2.390%	409,075		246,821
Truck Camera System - Sewer	1/24/2017	1/24/2022	2.390%	129,891		78,528
<b>Revenue Bonds:</b>						
Electric	11/3/2015	5/1/2027	various	2,195,000		1,780,000
Electric	9/28/2018	5/1/2038	various	3,000,000		2,910,000
Rural development - Water	5/27/2008	5/27/2043	4.500%	571,900		485,486
Rural development - Water	2/25/2015	2/25/2050	3.000%	2,181,450		2,045,389
Rural development - Sewer	6/25/2009	6/25/2044	4.500%	594,830		511,727
Rural development - Gas	10/6/2010	10/6/2045	3.750%	2,850,000		2,473,645
Rural development - Gas	5/19/2015	5/19/2050	3.500%	1,565,000		1,483,337
					<u>6,238,401</u>	<u>15,698,581</u>

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
Notes to Financial Statements

**Note 6: LONG-TERM LIABILITIES (CONTINUED)**

The annual debt service requirement of bonds, notes and capital leases are as follows:

Governmental Activities:

Fiscal Year Ending 9/30	General Obligation Bonds		Fiscal Year Ending 9/30	General Obligation Bonds		Fiscal Year Ending 9/30	Capital Leases	
	Principal	Interest		Principal	Interest		Principal	Interest
2020	195,000	41,575	2020	120,000	29,738	2020	66,150	16,915
2021	205,000	37,575	2021	120,000	26,138	2021	45,889	13,349
2022	210,000	33,425	2022	125,000	22,538	2022	47,756	11,484
2023	215,000	29,175	2023	130,000	18,788	2023	32,058	7,232
2024	220,000	24,825	2024	135,000	15,538	2024	33,295	8,495
2025-2029	950,000	47,938	2025-2029	435,000	25,180	2025-2029	142,134	22,174
	<u>\$ 1,995,000</u>	<u>214,513</u>		<u>\$ 1,065,000</u>	<u>137,918</u>		<u>\$ 367,282</u>	<u>79,649</u>

  

Fiscal Year Ending 9/30	Notes Payable		Fiscal Year Ending 9/30	Notes Payable		Fiscal Year Ending 9/30	Notes Payable	
	Principal	Interest		State Aid	Interest		Mississippi Development Authority: Principal	Interest
2020	26,368	8,379	2020	69,096	940	2020	150,000	-
2021	27,238	6,873				2021	150,000	-
2022	28,066	6,022				2022	150,000	-
2023	29,801	5,139				2023	150,000	-
2024	30,707	4,232				2024	150,000	-
2025-2029	124,843	7,047				2025	1,725,000	-
	<u>\$ 267,023</u>	<u>37,692</u>		<u>\$ 69,096</u>	<u>940</u>		<u>\$ 2,475,000</u>	<u>-</u>

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
Notes to Financial Statements

**Note 6: LONG-TERM LIABILITIES (CONTINUED)**

The annual debt service requirement of bonds, notes and capital leases are as follows:

Business Type Activities:

Fiscal Year		Electric Revenue Bonds		Fiscal Year		Water Revenue Bonds		Fiscal Year		Gas Revenue Bonds	
Ending 6/30		Principal	Interest	Ending 9/30		Principal	Interest	Ending 9/30		Principal	Interest
2020		290,000	158,695	2020		53,640	83,209	2020		83,623	144,673
2021		305,000	150,520	2021		55,425	81,423	2021		86,687	141,609
2022		315,000	140,895	2022		57,272	79,576	2022		89,863	138,433
2023		325,000	130,920	2023		59,183	77,665	2023		93,156	135,140
2024		350,000	120,595	2024		61,159	75,689	2024		96,569	131,727
2025-2029		1,390,000	426,413	2025-2029		337,927	346,314	2025-2029		538,594	602,886
2030-2034		860,000	235,493	2030-2034		398,714	285,528	2030-2034		644,800	496,680
2034-2039		855,000	74,050	2035-2039		470,895	213,346	2035-2039		771,970	369,510
				2040-2044		518,453	132,188	2040-2044		924,255	217,225
				2045-2049		465,626	50,619	2045-2049		627,465	53,307
				2025		52,582	1,577				
		<u>\$ 4,690,000</u>	<u>1,437,580</u>			<u>\$ 2,530,875</u>	<u>1,427,134</u>			<u>\$ 3,956,982</u>	<u>2,431,190</u>
Fiscal Year		Sewer Revenue Bonds		Fiscal Year		General Obligation Bonds		Fiscal Year		Capital Leases	
Ending 9/30		Principal	Interest	Ending 9/30		Principal	Interest	Ending 9/30		Principal	Interest
2020		11,467	23,028	2020		90,000	43,001	2020		184,407	15,095
2021		11,982	22,512	2021		90,000	40,864	2021		150,630	9,530
2022		12,522	21,973	2022		95,000	38,501	2022		154,643	6,954
2023		13,085	21,409	2023		100,000	36,008	2023		22,335	211
2024		13,674	20,820	2024		100,000	33,108				
2025-2029		78,172	94,299	2025-2029		535,000	117,878				
2030-2034		97,417	75,053	2030-2032		360,000	25,456				
2035-2039		121,401	51,071								
2040-2044		152,007	20,464								
		<u>\$ 511,727</u>	<u>350,629</u>			<u>\$ 1,370,000</u>	<u>334,816</u>			<u>\$ 512,015</u>	<u>31,790</u>

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 7: TRANSFERS IN/OUT**

The following schedule reconciles transfers made among the Municipal Funds for the fiscal year ended September 30, 2019:

	<u>Transfers in</u>	<u>Transfers Out</u>
Governmental Activities:		
General fund	\$ 306,640	-
Business-type Activities:		
Gas Department	-	<u>306,640</u>
	<u>\$ 306,640</u>	<u>306,640</u>

**NOTE 8: INTERFUND RECEIVABLES AND PAYABLES**

	<u>Due From</u>	<u>Due To</u>
Governmental Activities:		
General fund	\$ 11,734	769,779
Non-major governmental funds	<u>520,477</u>	<u>11,385</u>
	<u>532,211</u>	<u>781,164</u>
Business-type Activities:		
Water Department	25,000	
Sewer Department	<u>225,000</u>	-
	<u>250,000</u>	-
Due Other Entities:	-	<u>1,047</u>
	<u>\$ 782,211</u>	<u>782,211</u>

**NOTE 9: DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

*Plan Description.* The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate of annual covered payroll changed from 15.75% to 17.40% as of July 1, 2019. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2019, 2018 and 2017 were \$888,518, \$860,703, and \$820,180, respectively, which equaled the required contributions for each year.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for the Year Ended September 30, 2019**

**General Information about the Pension Plan**

At September 30, 2019, the City reported a liability of \$14,682,469 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2019 net pension liability was 0.085035%.

For the year ended September 30, 2019, the City recognized pension expense of \$1,369,462. At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,893	30,878
Net differences between projected and actual earnings on pension plan investments	-	203,553
Changes in assumptions	99,703	2,651
Changes in proportion and differences between contributions and proportionate share of contributions	691,593	181,171
City contributions subsequent to the measurement date	<u>462,261</u>	<u>-</u>
	\$ <u>1,280,450</u>	<u>418,253</u>

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

\$462,261 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2020	\$ 170,695
2021	95,066
2022	110,661
2023	23,514
2024	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00-18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.25	
Total	<u>100.00</u>	%		

**Discount rate.** The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>Current Discount Rate (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>Current Discount Rate (8.75%)</u>
City's proportionate share of the net pension liability	\$ 19,311,077	\$ 14,682,469	\$ 10,853,270

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.



**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Financial Statements**

**NOTE 10: NO COMMITMENT DEBT**

Long-term debt does not include amounts for Industrial Revenue Bonds issued under authority of Section 57-3-1 through Section 57-3-33, Miss. Code Ann. (1972). Industrial Revenue Bonds are issued to provide funds for direct financing leases to aid industries which manufacture, process or assemble agricultural or manufactured products or any industry engaged in storing or warehousing products of agriculture, mining or industry. These leases are administered by trustees with terms which provide for transfer of title of the property after all bonds are paid in full.

Bonds issued under provision of the above mentioned law do not constitute an indebtedness of the City within the meaning of any state constitutional provision or limitation, or never give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers, and such fact is plainly stated in the face of the bonds.

The City of Holly Springs did not have adequate records regarding these Industrial Revenue Bonds. Therefore, the total Industrial Revenue bonded indebtedness at September 30, 2019, could not be determined.

**NOTE 11: SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Subsequent events have been evaluated through January 20, 2021, which is the date the financial statements were available to be issued and concluded that a subsequent event has occurred that would require disclosure in the notes.

In March 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on its business operations. While the Plan expects the COVID-19 crisis to negatively affect its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
<b><u>Revenues:</u></b>				
Taxes:				
Current year	\$ 1,581,500	1,581,500	1,499,867	(81,633)
Prior year, penalties and interest	25,000	25,000	33,234	8,234
Licenses and permits	33,000	33,000	26,456	(6,544)
Intergovernmental:				
Local revenue	2,967,324	2,967,324	3,050,151	82,827
State revenue	1,636,500	1,636,500	1,648,214	11,714
Federal revenue	423,919	423,919	7,778	(416,141)
Charges for services	605,000	605,000	618,038	13,038
Fines and forfeits	110,000	110,000	205,770	95,770
Miscellaneous revenues	108,939	108,939	150,274	41,335
Total Revenues	<u>7,491,182</u>	<u>7,491,182</u>	<u>7,239,782</u>	<u>(251,400)</u>
<b><u>Expenditures:</u></b>				
General government	4,016,109	4,016,109	2,956,104	1,060,005
Public Safety:				
Police	1,249,813	1,249,813	1,235,531	14,282
Fire	995,500	995,500	841,781	153,719
Public Works:				
Highways and streets	564,000	564,000	633,170	(69,170)
Sanitation	295,050	295,050	409,755	(114,705)
Cemetery	371,100	371,100	376,779	(5,679)
Health and welfare	7,475	7,475	314	7,161
Culture and recreation	305,000	305,000	335,006	(30,006)
Community development	-	-	468	(468)
Debt Service:				
Principal			677,079	(677,079)
Interest and fiscal charges			112,281	(112,281)
Intergovernmental	285,498	285,498	259,742	25,756
Total Expenditures	<u>8,089,545</u>	<u>8,089,545</u>	<u>7,838,010</u>	<u>251,535</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(598,363)</u>	<u>(598,363)</u>	<u>(598,228)</u>	<u>135</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Operating transfers in	306,640	306,640	306,640	-
Total Other Financing Sources (Uses)	<u>306,640</u>	<u>306,640</u>	<u>306,640</u>	<u>-</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Us	<u>(291,723)</u>	<u>(291,723)</u>	<u>(291,588)</u>	
<b><u>Fund Balances:</u></b>				
October 1, 2018	1,644,836	1,644,836	1,644,836	-
September 30, 2019	<u>\$ 1,353,113</u>	<u>1,353,113</u>	<u>1,353,248</u>	<u>135</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**

**PERS**  
**Last 10 Fiscal Years\***

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
City's proportion of the net pension liability	0.085035%	0.079961%	0.080904%	0.085961%	0.089731%					
City's proportionate share of the net pension liability	14,682,469	13,297,676	13,779,968	14,672,084	12,672,143					
City's covered-employee payroll	5,542,517	5,235,893	5,405,287	5,827,010	5,569,041					
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	265%	254%	255%	252%	228%					
Plan fiduciary net position as a percentage of the total pension liability	67%	63%	61%	57%	62%					

\*The amounts presented for each fiscal year were determined as of the measurement date of 06/30 of the fiscal year presented.

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 09/30/15, and until a full 10-year trend is compiled, the City has only presented information for the years in which information is available

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Schedule of the City's Contributions**  
**PERS**  
**Last 10 Fiscal Years\***

	2019	2018	2017	2016	2015	2012	2011	2010
Contractually required contribution	\$ 888,518	860,703	820,180	871,981	865,581			
Contributions in relation to the contractually required contribution	888,518	860,703	820,180	871,981	865,581			
Contributions deficiency (excess)	\$ -	-	-	-	-			
City's covered-employee payroll	5,534,395	5,464,781	5,207,492	5,536,385	5,495,752			
Contributions as a percentage of covered-employee payroll	16.05%	15.75%	15.75%	15.75%	15.75%			

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 09/30/15, and until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to Required Supplementary Information are an integral part of this schedule.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Required Supplementary Information**

**Budgetary Comparison Schedule**

**NOTE 1 – BASIS OF PRESENTATION**

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

**NOTE 2 – BUDGET AMENDMENTS AND REVISIONS**

The budget is adopted by the Board of Aldermen and filed with the taxing authority. Amendments can be made on the approval of the board of selectmen. By statute, final budget revisions must be approved on or before the date established by the State of Mississippi. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

**Pension Schedules**

**NOTE 1 – CHANGES OF ASSUMPTIONS**

2019:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
  - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 137% of male rates at all ages.
  - For females, 115% of female rates at all ages.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disable lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Notes to Required Supplementary Information**

2016:

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%

2015:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**NOTE 2 – CHANGES IN BENEFIT PROVISIONS**

2016:

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

**NOTE 3 – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS.**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2019**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Kelvin O. Buck	Mayor	Travelers Casualty and Surety Company	\$ 75,000
Bernita J. Fountain	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Lennell Lucas	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Mark Miller	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Christy Owens	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Tim Liddy	Alderman	Travelers Casualty and Surety Company	\$ 75,000
Belinda McDonald	City Clerk	Travelers Casualty and Surety Company	\$100,000
Brooke Mullenix	Payroll Clerk	Western Surety	\$ 50,000
Torris Brown	Payroll Clerk	Western Surety	\$ 50,000
Mattie Richmond	Accounts Payable Clerk	Travelers Casualty and Surety Company	\$ 50,000
Dwight Harris	Police Chief	Travelers Casualty and Surety Company	\$ 50,000
Various Other Handling Cash		Travelers Casualty and Surety Company	\$ 25,000



## **COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Stephen D. Flake, CPA
Harry W. Stevens, CPA	John N. Russell, CPA
S. Keith Winfield, CPA	Thomas A. Davis, CPA
William B. Staggers, CPA	Anita L. Goodrum, CPA
Michael W. McCully, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	Edward A. Maxwell, CPA
Thomas J. Browder, CPA	

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and Board of Aldermen  
The City of Holly Springs  
Holly Springs, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Springs, Mississippi as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the City of Holly Springs, Mississippi's basic financial statements, and have issued our report thereon dated January 20, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Holly Springs, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Holly Springs, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Holly Springs, Mississippi's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified

certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. **Finding 2019-01.**

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Holly Springs, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as items. **Finding 2019-02.**

### **City of Holly Springs, Mississippi's Response to Findings**

The City of Holly Springs, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Holly Springs, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West Point, Mississippi  
January 20, 2021

*Watkins Ward and Stafford, P.C.*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

The Honorable Mayor and Board of Aldermen  
The City of Holly Springs  
Holly Springs, Mississippi

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Springs, Mississippi, as of and for the year ended September 30, 2019, which collectively comprise the City of Holly Springs, Mississippi's basic financial statements and have issued our report thereon dated January 20, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended for the information of the City of Holly Springs' management and the Office of the State Auditor of Mississippi, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

West Point, Mississippi  
January 20, 2021

*Watkins Ward and Stafford, PLLC*

## **SCHEDULE OF FINDINGS AND RESPONSES**

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2019**

**Section I: Financial Statement Findings**

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

**City of Holly Springs Findings**

**Borrowing from Restricted fund (Repeat Finding)**

**2019-01     Statement of Condition**

Funds were borrowed by the general fund from funds that are restricted to be used for other purposes. In the current year city repaid \$200,000, bringing the balance to \$345,294.

**Criteria**

Monies in funds legally restricted for other purposes cannot be borrowed for use in the general fund. In addition, any loan must be approved by the board. We cannot find documentation that this was obtained.

**Effect**

Funds were borrowed between City funds from funds that are restricted to be used for other purposes. At year end, the financial statements present this transaction as a loan to be repaid between the two funds.

**Cause**

The general fund of the City experienced a shortage of operating cash.

**Recommendation**

The City should refrain from borrowing for the general fund from restricted funds.

**Response**

The City was unaware a loan could not be made from the restricted fund. This loan is in the process of being repaid.

**GAS DEPARTMENT**

**2019-02     Revenue Bond Ordinance Requirements Not Followed**

**Statement of Condition**

The Gas Department failed to adequately fund and segregate the accounts as required by the bond resolution of its Series 2010 Revenue Bond Issue and Series 2015 Revenue Bond Issue.



**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2019**

**Section I: Financial Statement Findings (Continued)**

**Criteria**

The bond resolutions of its Series 2010 Revenue Bond Issue and Series 2015 Revenue Bond Issue require the Gas Department to segregate and fund monthly accounts as prescribed by the bond resolution.

**Effect**

The Gas Department has violated the provisions of the bond ordinances of its Series 2010 Revenue Bond Issue and Series 2015 Revenue Bond Issue.

**Cause**

Adequate deposits as required by the bond ordinances of its Series 2010 Revenue Bond Issue and Series 2015 Revenue Bond Issue.

**Recommendation**

All required bond-related accounts should be adequately funded.

**Response**

We will fund all accounts relating to the Series 2010 Revenue Bond Issue and the Series 2015 Revenue Bond Issue as prescribed by the bond resolution.

**CITY OF HOLLY SPRINGS, MISSISSIPPI**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended September 30, 2019**

**City of Holly Springs Findings**

**2018-01     Statement of Condition**

Funds were borrowed by the general fund from funds that are restricted to be used for other purposes.

**Recommendation**

The City should refrain from borrowing for the general fund from restricted funds.

**Status**

This is still a finding in the current year report, see finding 2019-1.

**WATER, GAS, SEWER DEPARTMENTS**

**2018-02     Audit Adjustments**

**Statement of Condition**

Twenty-one adjustments were made to the Utility Department accounting records subsequent to the start of the auditing process. Audit adjustments are indicative of a deficiency in the internal controls over financial reporting.

**Recommendation**

The Utility Department should implement policies and procedures to review all general ledger accounts monthly to insure correctness.

**Status**

This finding was corrected in the current year.

**ALL FOUR DEPARTMENTS**

**2018-03:    Perpetual Inventory System Not Maintained**

**Statement of Condition**

The Utility Department does not maintain an accurate perpetual inventory system.  
(Repeat finding).

**Recommendation**

The Utility Department should maintain a record of all materials that are added and taken from the warehouse.

**Status**

This finding was corrected in the current year.

**CITY OF HOLLY SPRINGS, MISSISSIPPI  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2019**

**ELECTRIC ONLY**

**2018-04: Revenue Bond Ordinance Requirements Not Followed**

**Statement of Condition**

The Electric Department failed to adequately fund the accounts as required by the bond resolutions of its Series 2015 Revenue Bond Issue.

**Recommendation**

All required bond-related accounts should be adequately funded.

**Status**

This finding was corrected in the current year.