

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF HOLLY SPRINGS, MISSISSIPPI

**Audited Financial Statements and
Special Reports**

September 30, 2020

CITY OF HOLLY SPRINGS, MISSISSIPPI

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



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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, 2020, 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, 2020, 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 October 31, 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
October 31, 2021

Watkins Ward and Stafford, P.C.

BASIC FINANCIAL STATEMENTS

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Net Position
September 30, 2020

	Governmental Activities	Business-type Activities	Total
<u>Assets:</u>			
Cash and cash equivalents	\$ 1,488,625	3,480,026	4,968,651
Investments	520,532	3,918,323	4,438,855
Receivables (Net):			
Accounts		3,190,770	3,190,770
Property taxes	26,777		26,777
Lease	246,477		246,477
Other	467,622	884,314	1,351,936
Due from Other Entities		436,348	436,348
Notes receivable (Net)	15,000	1,263,737	1,278,737
Inventories		326,243	326,243
Prepaid items		62,961	62,961
Restricted assets:			
Investments		1,179,707	1,179,707
Capital assets, net of accumulated depreciation	13,930,092	38,636,895	52,566,987
Total Assets	\$ 16,695,125	53,379,324	70,074,449
<u>Deferred Outflow of Resources:</u>			
Deferred outflows related to pensions	559,281	1,065,800	1,625,081
Deferred outflows related to conservation receivables		2,787	2,787
Deferred outflows related to long-term debt		47,327	47,327
Total outflows of resources	559,281	1,115,914	1,675,195
<u>Liabilities:</u>			
Accounts payable	\$ 241,870	2,837,467	3,079,337
Accrued interest payable	15,145	213,402	228,547
Due to other entities	262,326		262,326
Other liabilities		408,913	408,913
Payable from restricted assets:			
Deposits		1,511,652	1,511,652
Noncurrent liabilities:			
Due within one year	833,793	1,352,293	2,186,086
Due in more than one year	4,935,082	13,132,353	18,067,435
Net pension liability	7,500,969	8,173,210	15,674,179
Total Liabilities	13,789,185	27,629,290	41,418,475

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

CITY OF HOLLY SPRINGS, MISSISSIPPI
Statement of Net Position
September 30, 2020

Deferred inflows of Resources:

Deferred inflows related to pensions	94,100	215,074	309,174
Deferred inflows related to unearned income		40,150	40,150
Total deferred inflows of resources	<u>94,100</u>	<u>255,224</u>	<u>349,324</u>

Net Position:

Invested in capital assets, net of related debt		27,143,744	27,143,744
Restricted for:			
Debt service		1,137,681	1,137,681
Unrestricted	<u>3,371,121</u>	<u>(1,670,701)</u>	<u>1,700,420</u>
Total Net Position	<u>\$ 3,371,121</u>	<u>26,610,724</u>	<u>29,981,845</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, 2020

Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 3,031,480	38,906	69,831	-	(2,922,743)		(2,922,743)
Public safety	2,337,149	99,899	19,164	-	(2,218,086)		(2,218,086)
Public works	1,247,336	568,590	-	639,090	(39,656)		(39,656)
Cemetery	385,759	12,400	-	-	(373,359)		(373,359)
Health and welfare	3,336	-	-	-	(3,336)		(3,336)
Culture and recreation	100,481	25,179	-	-	(75,302)		(75,302)
Community development	760,110	-	230	-	(759,880)		(759,880)
Intergovernmental	257,328	-	-	-	(257,328)		(257,328)
Interest on long-term debt	102,018	-	-	-	(102,018)		(102,018)
Total Governmental Activities	8,224,997	744,974	89,225	639,090	(6,751,708)		(6,751,708)
Business-type Activities:							
Electric	26,157,716	26,188,464				30,748	30,748
Water	2,639,803	1,677,022	-	-		(962,781)	(962,781)
Sewer	1,080,553	1,025,558				(54,995)	(54,995)
Gas	2,498,331	2,871,476				373,145	373,145
Total Business-type Activities	32,376,403	31,762,520	-	-	-	(613,883)	(613,883)
Total Government	\$ 40,601,400	32,507,494	89,225	639,090	(6,751,708)	(613,883)	(7,365,591)
General revenues:							
Taxes:							
Current year							
Prior year, penalties and interest							
Intergovernmental:							
Local							
State							
Federal							
Interest							
Miscellaneous							
Transfers							
Total General Revenues and Transfers							
Change in net assets							
Net assets at beginning of year							
Net assets at end of year							

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

GENERAL FUNDS
Balance Sheet
Governmental Funds
September 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Cash and cash equivalents	\$ 1,104,816	383,809	1,488,625
Investments	520,532		520,532
Receivables (Net):			
Property taxes	-	26,777	26,777
Lease receivable	246,477		246,477
Other	467,622		467,622
Notes receivable (Net)	15,000		15,000
Due from other funds	11,735	175,183	186,918
Total Assets	<u>\$ 2,366,182</u>	<u>585,769</u>	<u>2,951,951</u>
<u>Liabilities:</u>			
Accounts payable	\$ 223,975	1,494	225,469
Due to other funds	424,485	11,385	435,870
Other liabilities	16,401		16,401
Due to other entities		13,374	13,374
Total Liabilities	<u>664,861</u>	<u>26,253</u>	<u>691,114</u>
<u>Fund Balances:</u>			
Reserved for:			
Fire protection		93,321	93,321
Unemployment benefits		20,815	20,815
Home Grants		13	13
Cemetery		203,714	203,714
Community Development		88,164	88,164
Debt service		153,489	153,489
Unreserved	1,701,321		1,701,321
Total Fund Balances	<u>1,701,321</u>	<u>559,516</u>	<u>2,260,837</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 2,366,182</u>	<u>585,769</u>	<u>2,951,951</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, 2020

Total fund balance - total governmental funds			\$	2,260,837
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.				
				13,930,092
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.				
				(15,145)
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	\$	833,793		
Due in more than one year		4,935,082		
Pension liability and related deferred outflows and inflows		7,035,788		<u>(12,804,663)</u>
Net Assets of Governmental Activities			\$	<u><u>3,371,121</u></u>

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, 2020

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes:			
Current year	\$ 1,626,928		1,626,928
Prior year, penalties and interest	55,683		55,683
Licenses and permits	38,906		38,906
Intergovernmental:			
Federal revenue	639,090		639,090
State shared:			
Sales tax	1,385,309	303,794	1,689,103
State grants	89,225		89,225
Liquor privilege tax	5,850		5,850
TVA in-lieu	106,463		106,463
General municipal aid	15,326		15,326
Homestead reimbursement	106,841		106,841
Local revenue	3,063,484		3,063,484
Charges for services	593,769		593,769
Fines and forfeits	99,899		99,899
Miscellaneous revenues	191,686	785	192,471
Total Revenues	<u>8,018,459</u>	<u>304,579</u>	<u>8,323,038</u>
<u>Expenditures:</u>			
General government	3,387,055		3,387,055
Public Safety:			
Police	1,347,112		1,347,112
Fire	822,072		822,072
Public Works:			
Highways and streets	581,610		581,610
Sanitation	368,731		368,731
Cemetery	362,462		362,462
Health and welfare	3,336		3,336
Culture and recreation	97,931		97,931
Community development	1,898	758,212	760,110
Debt service:			
Principal	645,473		645,473
Interest and fiscal charges	102,018		102,018
Intergovernmental	257,328		257,328
Total Expenditures	<u>7,977,026</u>	<u>758,212</u>	<u>8,735,239</u>
Excess of Revenues Over (Under) Expenditures	<u>41,433</u>	<u>(453,633)</u>	<u>(412,201)</u>
<u>Other Financing Sources (Uses):</u>			
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	348,073	(453,633)	(105,561)
<u>Fund Balances:</u>			
October 1, 2019	1,353,248	1,013,149	2,366,397
September 30, 2020	<u>\$ 1,701,321</u>	<u>559,516</u>	<u>2,260,837</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 - Government Funds to the Statement of Activities
For the Year Ended September 30, 2020

Net change in fund balances - total governmental funds	\$	(105,561)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current year.		686,415
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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.		645,473
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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.		(560,841)
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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.	\$	308
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Change in long-term compensated absences		(80,242)
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Change in unfunded pension liability		(180,864)
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Change in Net Position of Governmental Activities	\$	404,688
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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, 2020

	Business-type Activities Enterprise Funds				
	June 30, 2020	September 30, 2020			
	Electric Department	Water Department	Sewer Department	Gas Department	Total Proprietary Funds
<u>Assets</u>					
Current Assets:					
Cash and cash equivalents	\$ 2,709,054	190,830	294,574	285,568	3,480,026
Investments	2,501,304	535,437	102,209	779,373	3,918,323
Receivables (Net):					
Accounts	3,190,770				3,190,770
Notes	1,263,737				1,263,737
Other	884,314		-		884,314
Due from other departments	-	34,269	478,609	360,448	873,326
Due from city	213,429	25,000	225,000		463,429
Inventories	227,133	47,711	8,478	42,921	326,243
Prepaid Items	41,022	5,091	6,537	10,311	62,961
Other current assets	-	-	-	-	-
Total Current Assets	11,030,763	838,338	1,115,407	1,478,621	14,463,129
Restricted Assets:					
Cash and Cash Equivalents	546,433	193,781	47,228	350,239	1,137,681
Investments	42,026	-			42,026
Total Restricted Assets	588,459	193,781	47,228	350,239	1,179,707
Non-current Assets:					
Capital assets:					
Land	157,020	62,092	-	1,118	220,230
Construction in progress	5,665,692	47,097	932,556	1,435,839	8,081,184
Other capital assets, net of accumulated depreciation	14,354,493	6,626,293	4,064,838	5,289,857	30,335,481
Total Non-current Assets	20,177,205	6,735,482	4,997,394	6,726,814	38,636,895
Total Assets	31,796,427	7,767,601	6,160,029	8,555,674	54,279,731
<u>Deferred Outflows of Resources</u>					
Deferred outflows related to the net pension liability	709,322	196,535	55,260	104,683	1,065,800
Deferred outflows related to the conservation receivable	2,787				2,787
Deferred outflows related to the long-term debt		40,204	3,829	3,294	47,327
Total Deferred Outflows	\$ 712,109	236,739	59,089	107,977	1,115,914

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, 2020

	Business-type Activities Enterprise Funds				
	June 30, 2020	September 30, 2020			
	Electric Department	Water Department	Sewer Department	Gas Department	Total Proprietary Funds
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	\$ 2,837,467				2,837,467
Customer deposits	1,276,067	66,326		169,259	1,511,652
Due to other departments	307,752	582,474	10,181	-	900,407
Current portion of long-term debt	346,974	127,425	138,411	310,737	923,547
Notes payable	428,746	-	-		428,746
Accrued expenses	25,151	58,513	24,708	105,030	213,402
Other	232,095	45,367	11,291	120,160	408,913
Total Current Liabilities	5,454,252	880,105	184,591	705,186	7,224,134
Non-current liabilities:					
Net pension liability	5,027,786	1,554,515	521,140	1,069,769	8,173,210
Long-term debt	4,168,057	3,373,810	837,327	4,753,159	13,132,353
Total Non-current Liabilities	9,195,843	4,928,325	1,358,467	5,822,928	21,305,563
Total Liabilities	14,650,095	5,808,430	1,543,058	6,528,114	28,529,697
<u>Deferred Inflows of Resources</u>					
Deferred inflows related to the net pension liability	60,418	-	33,849	120,807	215,074
Deferred inflows related to the unearned income	40,150				40,150
Total Deferred Inflows	100,568	-	33,849	120,807	255,224
<u>Net Assets</u>					
Invested in capital assets, net of related debt	15,233,428	3,234,247	5,184,291	3,491,778	27,143,744
Restricted:					
Debt service	546,433	193,781	47,228	350,239	1,137,681
Unrestricted	1,978,012	(1,232,118)	(589,308)	(1,827,287)	(1,670,701)
Total Net Assets	\$ 17,757,873	2,195,910	4,642,211	2,014,730	26,610,724

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, 2020

	Business - type Activities Enterprise Funds				
	June 30, 2020	September 30, 2020			
	Electric Department	Water Department	Sewer Department	Gas Department	Total Proprietary Funds
<u>Operating Revenues:</u>					
Charges for services	26,188,464	1,677,022	1,025,558	2,871,476	31,762,520
<u>Operating Expenses:</u>					
Power purchased	18,292,618				18,292,618
Gas purchased				927,975	927,975
Operation and maintenance	4,679,868	1,491,497	561,435	830,360	7,563,160
Depreciation	1,090,937	743,863	386,882	245,287	2,466,969
Taxes	1,913,640	284,203	89,205	338,453	2,625,501
Total Operating Expenses	25,977,063	2,519,563	1,037,522	2,342,075	31,876,223
Operating Income (Loss)	211,401	(842,541)	(11,964)	529,401	(113,703)
<u>Nonoperating Revenues:</u>					
Federal grant awarded					
State grant awarded					
Interest revenue	125,930	15,097	8,002	25,519	174,548
Total Nonoperating Revenues	125,930	15,097	8,002	25,519	174,548
<u>Nonoperating Expenses:</u>					
Interest expense	180,653	116,831	39,907	156,118	493,509
Amortization	-	3,409	3,125	137	
Miscellaneous					
Total Nonoperating Expenses	180,653	120,240	43,032	156,255	493,509
Net Income (Loss) before Contributions and Transfers	156,678	(947,684)	(46,994)	398,665	(432,664)
<u>Other</u>					
Transfers out				(306,640)	(306,640)
Total Capital Contributions	-	-	-	(306,640)	(306,640)
Change in Net Assets	156,678	(947,684)	(46,994)	92,025	(745,975)
<u>Net Assets - Beginning of Year</u>					
As previously reported	17,601,195	3,143,594	4,689,205	1,922,705	27,356,699
As restated	17,601,195	3,143,594	4,689,205	1,922,705	27,356,699
<u>Net Assets - End of Year</u>	<u>\$ 17,757,873</u>	<u>2,195,910</u>	<u>4,642,211</u>	<u>2,014,730</u>	<u>26,610,724</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, 2020

	Business-type Activities				
	Enterprise Funds				Total
	June 30, 2020	Water Department	Sewer Department	Gas Department	Proprietary Funds
Cash Flows from Operating Activities:					
Cash received from customers	\$ 26,012,840	2,271,808	558,442	2,108,000	30,951,090
Other operating cash receipts	379,881	14,705	7,852	20,816	423,254
Cash payments to suppliers for goods and services	(18,713,394)				(18,713,394)
Operating expenses	(4,679,868)	(1,491,497)	(561,435)	(1,758,335)	(8,491,135)
Taxes	(1,913,640)	(284,203)	(89,205)	(31,813)	(2,318,861)
Net Cash Provided by (Used in) Operating Activities	1,085,819	510,813	(84,346)	338,668	1,850,954
Cash Flows from Noncapital Financing Activities:					
Cash paid to City	-	-	-	(306,640)	(306,640)
Net Cash Flows from Noncapital Financing Activities	-	-	-	(306,640)	(306,640)
Cash Flows from Capital and Related Financing Activities:					
Activities:					
Acquisition of capital assets (net of removal and salvage)	(873,524)	(22,769)	(13,349)	(29,013)	(938,655)
Retirement of capital assets	(86,246)				(86,246)
Receipt of federal grants awarded					
Proceeds from borrowing	(620,896)	(156,642)	(135,338)	(301,059)	(1,213,935)
Principal payment on long-term debt	(1,138)	83,514	(3,756)	(57,326)	21,294
Change in sinking funds	(182,060)	(102,098)	(26,675)	(161,157)	(471,990)
Interest paid	(1,763,864)	(197,995)	(179,118)	(548,555)	(2,689,532)
Net Cash Used in Noncapital Financing Activities					
Cash Flows from Investing Activities:					
Change in investments	1,480,354	(156,909)	164,334	801,211	2,288,990
TVA advances	(4,396)				(4,396)
Net Cash Flows from Investing Activities	1,475,958	(156,909)	164,334	801,211	2,284,594
Net Increase (Decrease) in Cash and Cash Equivalents	797,913	155,909	(99,130)	284,684	1,139,376
Cash and Cash Equivalents at Beginning of Year	2,499,600	228,702	440,932	351,123	3,520,357
Cash and Cash Equivalents at End of Year	\$ 3,297,513	384,611	341,802	635,807	4,659,733

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, 2020

	Business-type Activities Enterprise Funds				Total Proprietary Funds
	June 30, 2020		September 30, 2020		
	Electric Department	Water Department	Sewer Department	Gas Department	
Reconciliation of income from operations to net cash provided by operating activities:					
Income (loss) from operations	\$ 211,401	(842,541)	(11,964)	529,401	(113,703)
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation	1,242,355	743,863	386,882	245,287	2,618,387
Federal grants awarded in prior year		-			
Other Adjustments					
(Increase) Decrease in current assets:					
Receivables	32,760				32,760
Due from other departments	(213,429)	(34,269)	(419,892)		(667,590)
Inventories	54,509	18,096	102	3,364	76,071
Prepaid expenses	(7,328)	(1,379)	(2,825)	(5,086)	(16,618)
Other current assets	197,586	3,000	1,350	8,443	210,379
Deferred outflows of resources	54,661	(5,149)	(8,133)	(10,141)	31,238
Increase (Decrease) in current liabilities:					
Accounts payable	(1,000,683)				(1,000,683)
Due to other departments	279,059	493,537	(49,964)	(514,384)	208,248
Customer deposits	23,728	523		2,035	26,286
Other liabilities	34,969	2,466	205	59,578	97,218
Net pension liability	225,847	159,647	34,546	(703)	419,337
Deferred inflows of resources	(49,616)	(26,981)	(14,653)	20,874	(70,376)
Net Cash Provided by (Used in) Operating Activities	\$ 1,085,819	510,813	(84,346)	338,668	1,850,954

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, 2020

	<u>Agency Funds</u>
<u>Assets:</u>	
Receivables (net):	
Property taxes	\$ <u>63,979</u>
Total Assets	<u>63,979</u>
<u>Liabilities:</u>	
Other liabilities	<u>63,979</u>
Total Liabilities	<u>63,979</u>
<u>Net Assets</u>	
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 Assets
Fiduciary Funds
September 30, 2020

	<u>Agency Funds</u>
<u>Additions:</u>	
Property taxes	\$ 4,739,154
Total Additions	<u>4,739,154</u>
<u>Deductions:</u>	
Payments to school district	<u>4,739,154</u>
Total Deductions	<u>4,739,154</u>
Change in Net Assets	-
Net Assets - Beginning of Year	<u>-</u>
Net Assets - 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 2020, 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 units 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 2020 are as follows:

<u>City of Holly Springs</u>	<u>Mills</u>
General fund	35.77
Fire protection	.21
Police Bond	<u>3.04</u>
	<u>39.02</u>
 <u>Separate School District</u>	
District maintenance	49.00
School special	1.00
School bond	12.65
School note	<u>3.00</u>
	<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, 2020, 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, 2020.

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

	9/30/2020				
	<u>Beginning</u>		<u>De-</u>	<u>Adjust-</u>	<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>creases</u>	<u>ments</u>	<u>Balance</u>
<u>Governmental Activities:</u>					
Land	\$ 1,020,054	-	-	-	1,020,054
Buildings and equipment	11,162,537	659,840	-	-	11,822,377
Streets	10,086,303	26,575	-	-	10,112,878
Less accumulated depreciation	(8,464,376)	(560,841)	-	-	(9,025,217)
Governmental Activities					
Capital Assets, Net	\$ <u>13,804,518</u>	<u>125,574</u>	<u>-</u>	<u>-</u>	<u>13,930,092</u>

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

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

	<u>9/30/2020</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass- ifications</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>					
Non-depreciable Capital Assets:					
Land	220,230	-	-	-	220,230
Construction in progress	8,647,696	153,432	(719,944)	-	8,081,184
Total Non-depreciable Capital Assets	8,847,696	153,432	(719,944)	-	8,301,414
<u>Depreciable Capital Assets</u>					
Buildings and equipment	8,746,471	91,177	-	-	8,837,648
Distribution and collection systems	61,873,028	1,413,990	(17,548)	-	63,269,470
Total Depreciable Capital Assets	70,619,499	1,505,167	(17,548)	-	72,107,118
Accumulated Depreciation					
Buildings and equipment	(7,698,240)	(448,744)	-	-	(8,146,984)
Distribution and collection systems	(31,558,804)	(2,169,855)	104,006	-	(33,624,653)
Total Accumulated Depreciation	(39,257,044)	(2,618,599)	104,006	-	(41,771,637)
Total Depreciable Capital Assets, Net	\$ 31,362,455	(1,113,432)	86,458	-	30,335,481
Total Capital Assets, Net	\$ 40,230,381	(960,000)	(633,486)	-	38,636,895

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:

<u>Governmental Activities:</u>	<u>9/30/20</u>
General government	\$ 96,953
Public Safety:	
Police	99,952
Fire	14,519
Cemetery	23,297
Street	323,570
Recreation	2,550
Total Governmental Activities Depreciation Expense	\$ 560,841

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

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

Business-type Activities:

Electric	\$ 1,090,937
Water	743,863
Sewer	386,882
Gas	<u>345,286</u>
Total Business-type Activities	
Depreciation Expense	\$ <u>2,566,968</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 2020 is \$51,631.

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, 2020:

	<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	\$ 1,065,000		(120,000)	945,000	120,000
General Obligation					
Bonds - Police Station	1,995,000		(195,000)	1,800,000	205,000
Total	<u>3,060,000</u>	<u>-</u>	<u>(315,000)</u>	<u>2,745,000</u>	<u>325,000</u>
Notes Payable:					
Wenco	267,023		(27,089)	239,934	27,927
State aid	69,096		(69,096)	-	-
MDA	2,475,000		(150,000)	2,325,000	450,000
Total	<u>2,811,119</u>	<u>-</u>	<u>(246,185)</u>	<u>2,564,934</u>	<u>477,927</u>
Capital Lease Obligations:					
Ariel Fire truck	54,569		(54,569)	-	-
Pierce Fire Truck	312,712		(29,719)	282,993	30,866
Total	<u>367,281</u>	<u>-</u>	<u>(84,288)</u>	<u>282,993</u>	<u>30,866</u>
Compensated absences	95,706		80,242	175,948	-
Total Governmental Activities	<u>6,334,106</u>	<u>-</u>	<u>(565,231)</u>	<u>5,768,875</u>	<u>833,793</u>
Business-type Activities:					
Bonds payable:					
Electric department	4,690,000		(290,000)	4,400,000	305,000
Water department	3,626,875		(125,640)	3,501,235	127,425
Sewer department	785,728		(29,468)	756,260	29,982
Gas department	3,956,982		(83,617)	3,873,365	86,681
Total Bonds Payable	<u>13,059,585</u>	<u>-</u>	<u>(528,725)</u>	<u>12,530,860</u>	<u>549,088</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	719,009		(290,263)	428,746	428,746
Gas department	<u>1,407,973</u>		<u>(217,442)</u>	<u>1,190,531</u>	<u>224,056</u>
Total Notes Payable	<u>719,009</u>	<u>-</u>	<u>(290,263)</u>	<u>1,619,277</u>	<u>652,802</u>
Capital Lease Obligations:					
Electric Department	155,664		(40,633)	115,031	41,974
Water Department	31,002		(31,002)	-	-
Sewer Department	<u>325,349</u>		<u>(105,871)</u>	<u>219,478</u>	<u>108,429</u>
Total Bonds Payable	<u>512,015</u>	<u>-</u>	<u>(177,506)</u>	<u>334,509</u>	<u>150,403</u>
Total Long-term Liabilities	<u>\$ 14,290,609</u>	<u>-</u>	<u>(996,494)</u>	<u>14,484,646</u>	<u>1,352,293</u>

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

Note 6: LONG-TERM LIABILITIES (CONTINUED)

Detail of bonds, notes and capital leases:

			Range		Balance at 9/30/20	
	Date Issued	Final Maturity	Interest Rates at Issue Date	Original Amount	Governmental Activities	Business Activities
General Obligations Bonds:						
Police bonds	3/1/2008	3/1/2028	4.000%	3,500,000	1,800,000	
Water and sewer	7/2/2012	4/1/2032	various	2,125,000		1,280,000
Streets	8/1/2015	8/1/2027	various	1,500,000	945,000	
Notes Payable:						
C.I.T. Equipment	9/30/2008	12/1/2027	3.000%	522,174	239,934	
Mississippi Development Authority	3/1/2015	3/1/2025	0.000%	3,000,000	2,325,000	
Line of Credit - Electric	2/17/2016	N/A	1.150%	2,000,000		428,746
Due to Electric	9/1/2018	9/1/2025	3.000%	1,618,996		1,190,531
Capital Lease Obligations:						
Pierce Fire Truck	4/5/2013	4/5/2028	3.860%	469,216	282,993	
Brush Cutter - Electric	12/15/2016	12/15/2022	3.255%	245,500		115,031
Vacuum Truck - Sewer	12/22/2016	12/22/2021	2.390%	409,075		166,504
Truck Camera System - Sewer	1/24/2017	1/24/2022	2.390%	129,891		52,974
Revenue Bonds:						
Electric	11/3/2015	5/1/2027	various	2,195,000		1,585,000
Electric	9/28/2018	5/1/2038	various	3,000,000		2,815,000
Rural development - Water	5/27/2008	5/27/2043	4.500%	571,900		473,733
Rural development - Water	2/25/2015	2/25/2050	3.000%	2,181,450		2,003,502
Rural development - Sewer	6/25/2009	6/25/2044	4.500%	594,830		500,260
Rural development - Gas	10/6/2010	10/6/2045	3.750%	2,850,000		2,418,834
Rural development - Gas	5/19/2015	5/19/2050	3.500%	1,565,000		1,454,531
					<u>5,592,927</u>	<u>14,484,646</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
2021	205,000	37,575	2021	120,000	26,138	2021	30,866	10,924
2022	210,000	33,425	2022	125,000	22,538	2022	32,058	9,732
2023	215,000	29,175	2023	130,000	18,788	2023	33,295	8,495
2024	220,000	24,825	2024	135,000	15,538	2024	34,580	7,210
2025	225,000	20,375	2025	140,000	12,163	2025	35,915	5,875
2026-2028	725,000	27,563	2026-2027	295,000	13,018	2026-2028	116,279	9,090
	<u>\$ 1,800,000</u>	<u>172,938</u>		<u>\$ 945,000</u>	<u>108,182</u>		<u>\$ 282,993</u>	<u>51,326</u>

Fiscal Year Ending 9/30	Notes Payable CIT Equipment		Fiscal Year Ending 9/30	Notes Payable Mississippi Development Authority: Principal Interest	
	Principal	Interest		Principal	Interest
2021	27,927	7,058	2021	450,000	
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	31,641	3,298	2025	1,425,000	
2026-2027	91,792	3,749			
	\$ 239,934	29,498	\$	2,325,000	-

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 Ending 6/30	Electric Revenue Bonds		Fiscal Year Ending 9/30	Water Revenue Bonds		Fiscal Year Ending 9/30	Gas Revenue Bonds	
	Principal	Interest		Principal	Interest		Principal	Interest
2021	305,000	150,520	2021	55,425	81,423	2021	86,681	141,615
2022	315,000	140,895	2022	57,272	79,576	2022	89,857	138,439
2023	325,000	130,920	2023	59,182	77,666	2023	93,150	135,146
2024	350,000	120,595	2024	61,160	75,688	2024	96,563	131,733
2025	355,000	109,158	2025	63,204	73,644	2025	100,102	128,194
2026-2030	1,190,000	375,325	2026-2030	349,267	334,974	2026-2030	558,298	583,182
2031-2035	905,000	206,787	2031-2035	412,171	272,070	2031-2035	668,392	473,088
2036-2038	655,000	44,689	2036-2040	486,888	197,353	2036-2040	800,223	341,257
			2041-2045	502,159	110,427	2041-2045	958,088	183,392
			2046-2050	430,507	36,650	2046-2049	422,011	30,740
	<u>\$ 4,400,000</u>	<u>1,278,889</u>		<u>\$ 2,477,235</u>	<u>1,339,471</u>		<u>\$ 3,873,365</u>	<u>2,286,786</u>
Fiscal Year Ending 9/30	Sewer Revenue Bonds		Fiscal Year Ending 9/30	General Obligation Bonds		Fiscal Year Ending 9/30	Capital Leases	
	Principal	Interest		Principal	Interest		Principal	Interest
2021	11,982	22,512	2021	90,000	40,864	2021	150,403	9,758
2022	12,522	21,973	2022	95,000	38,501	2022	154,407	7,189
2023	13,085	21,409	2023	100,000	36,008	2023	29,699	362
2024	13,674	20,820	2024	100,000	33,108			
2025	14,289	20,205	2025	100,000	30,108			
2026-2030	81,690	90,711	2026-2030	555,000	100,515			
2031-2035	101,801	70,669	2031-2032	240,000	12,713			
2036-2040	126,864	45,608						
2041-2044	124,353	13,624						
	<u>\$ 500,260</u>	<u>327,531</u>		<u>\$ 1,280,000</u>	<u>291,817</u>		<u>\$ 334,509</u>	<u>17,309</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, 2020:

	<u>Transfers in</u>	<u>Transfers Out</u>
Governmental Activities:		
General fund	\$ 306,640	-
Business-type Activities:		
Gas Department	<u>-</u>	<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	\$ 11,735	424,485
Non-major governmental funds	<u>175,183</u>	<u>11,385</u>
	<u>186,918</u>	<u>435,870</u>
Business-type Activities:		
Water Department	25,000	
Sewer Department	<u>225,000</u>	<u>-</u>
	<u>250,000</u>	<u>-</u>
Due Other Entities:	<u>-</u>	<u>1,048</u>
	<u>\$ 436,918</u>	<u>436,918</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, 2020, 2019 and 2018 were \$931,113, \$888,518, and \$860,703, 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, 2020

General Information about the Pension Plan

At September 30, 2020, the City reported a liability of \$15,674,179 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, 2020 net pension liability was 0.083575%.

For the year ended September 30, 2020, the City recognized pension expense of \$1,426,210. At September 30, 2020 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	\$ 95,386	5,412
Net differences between projected and actual earnings on pension plan investments	437,312	55,006
Changes in assumptions	108,848	-
Changes in proportion and differences between contributions and proportionate share of contributions	507,522	248,756
City contributions subsequent to the measurement date	476,013	-
	<u>\$ 1,625,081</u>	<u>309,174</u>

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

\$476,013 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,		
2021	\$	243,906
2022		256,954
2023		175,166
2024		163,868
2025		-
Thereafter		-

Actuarial assumptions. The total pension liability in the June 30, 2020 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	
Debt Securities	20.00		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash Equivalents	1.00		-	
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	\$ 20,389,647	\$ 15,674,179	\$ 11,782,011

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, 2020, could not be determined.

NOTE 11: CONTINGENCIES

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 organization expects the COVID-19 crises to negatively affect its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 12: 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 September 30, 2021 which is the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements.

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, 2020

	Budgeted Amounts		Modified	Variance with
	Original	Final	Accrual	Final Budget
			Basis	Positive
				(Negative)
<u>Revenues:</u>				
Taxes:				
Current year	\$ 1,551,500	1,551,500	1,626,928	75,428
Prior year, penalties and interest	25,000	25,000	55,683	30,683
Licenses and permits	33,000	33,000	38,906	5,906
Intergovernmental:				
Local revenue	2,981,523	2,981,523	3,063,484	81,961
State revenue	1,701,000	1,701,000	1,709,014	8,014
Federal revenue	330,000	330,000	639,090	309,090
Charges for services	605,000	605,000	593,769	(11,231)
Fines and forfeits	125,000	125,000	99,899	(25,101)
Miscellaneous revenues	104,939	104,939	191,686	86,747
Total Revenues	<u>7,456,962</u>	<u>7,456,962</u>	<u>8,018,459</u>	<u>561,497</u>
<u>Expenditures:</u>				
General government	5,291,643	5,291,643	3,387,055	1,904,588
Public Safety:				
Police	1,439,435	1,439,435	1,347,112	92,323
Fire	1,415,500	1,415,500	822,072	593,428
Public Works:				
Highways and streets	611,000	611,000	581,610	29,390
Sanitation	365,050	365,050	368,731	(3,681)
Cemetery	375,100	375,100	362,462	12,638
Health and welfare	7,475	7,475	3,336	4,139
Culture and recreation	411,000	411,000	97,931	313,069
Community development			1,898	(1,898)
Debt Service:				
Principal			645,473	(645,473)
Interest and fiscal charges			102,018	(102,018)
Intergovernmental	297,330	297,330	257,328	40,002
Total Expenditures	<u>10,213,533</u>	<u>10,213,533</u>	<u>7,977,026</u>	<u>2,236,507</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(2,756,571)</u>	<u>(2,756,571)</u>	<u>41,433</u>	<u>2,798,004</u>
<u>Other Financing Sources (Uses):</u>				
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 Use:	<u>(2,449,931)</u>	<u>(2,449,931)</u>	<u>348,073</u>	<u>2,798,004</u>
<u>Fund Balances:</u>				
October 1, 2019	1,353,248	1,353,113	1,353,248	135
September 30, 2020	<u>\$ (1,096,683)</u>	<u>(1,096,818)</u>	<u>1,701,321</u>	<u>2,798,139</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*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
City's proportion of the net pension liability	0.083575%	0.085035%	0.079961%	0.080904%	0.085961%	0.089731%				
City's proportionate share of the net pension liability	15,674,179	14,682,472	13,297,676	13,779,968	14,672,084	12,672,143				
City's covered-employee payroll	5,449,113	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	288%	265%	254%	255%	252%	228%				
Plan fiduciary net position as a percentage of the total pension liability	59%	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.

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

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

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 931,113	888,518	860,703	820,180	871,981	865,581				
Contributions in relation to the contractually required contributor	931,113	888,518	860,703	820,180	871,981	865,581				
Contributions deficiency (excess)	\$ -	-	-	-	-	-				
City's covered-employee payroll	5,351,223	5,534,395	5,464,781	5,207,492	5,536,385	5,495,752				
Contributions as a percentage of covered-employee payroll	17.40%	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 FY 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
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%.

2016:

CITY OF HOLLY SPRINGS, MISSISSIPPI
Notes to Required Supplementary Information

- 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, 2020 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, 2020

<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
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
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**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, 2020, 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 October 31, 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.

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 questioned costs as items. **Finding 2020-01.**

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 questioned costs. 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
October 31, 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

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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, 2020, which collectively comprise the City of Holly Springs, Mississippi's basic financial statements and have issued our report thereon dated September 30, 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
October 31, 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, 2020

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*.

GAS DEPARTMENT

2020-01 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.

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, 2020

GAS DEPARTMENTS

2019-01 Audit Adjustments

Statement of Condition

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

Status

The Gas Department still fails to follow revenue bond ordinance requirements. This is still a finding in the current year report. See Finding 2020-01.