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CITY OF HOLLANDALE, MISSISSIPPI
FINANCIAL STATEMENTS
AND
REPORTS OF INDEPENDENT AUDITOR
(With Supplemental Information Schedules)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Prepared by:

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**CITY OF HOLLANDALE
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Alderman of the
City of Hollandale, Mississippi

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 Hollandale, Mississippi (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed in the following paragraphs, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1B to the financial statements, management has not recorded certain capital assets or depreciation expense in the governmental and business-type activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require assets to be capitalized and depreciated over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The City was required to prospectively report the acquisition or construction of infrastructure assets and depreciation expense starting October 1, 2003. The amount by which this departure would affect the related financial statements is not determinable.

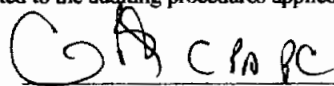
The City did not report compensated absence expense and liability during the fiscal year ended September 30, 2006. In our opinion, accounting principles generally accepted in the United States of America require that compensated absence be reported. The effects of that departure on the financial statements are not reasonably determinable.

In our opinion, except for the effect of not recording all capital assets and not reporting depreciation expense and accumulated depreciation on those assets, and not reporting compensated absence expense and liability in the governmental and business-type activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2006 on our consideration of the City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2-6 and 18-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Saint Louis, Missouri
October 27, 2006

**City of Hollandale, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2006**

Within this section of the City of Hollandale's annual financial report, management provides narrative discussion and analysis of the financial activities for the year ended September 30, 2006. Financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the primary government and, unless otherwise noted, component units reported separately from the primary government. There are no component units.

Financial Highlights

1. Total assets exceeded total liabilities (net assets) by \$5,971,460 at year-end, an increase of \$141,098 from the prior year.
2. General Fund total revenues exceeded total expenses by \$3,199.
3. Total assets increased \$118,750 or 1.87% from 2005, while total liabilities decreased \$22,348 or 4.3%.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non major funds are provided in the form of combining statements in a later section of this report.

The City has two types of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund statement of assets and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. This schedule demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds such as Water and Sewer report services the City charges customers for a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The Proprietary fund does not operate under budgetary constraints.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information*.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules are presented in a subsequent section of this report.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at fiscal year-end are \$5,971,460, a \$141,098 increase from last year's net assets of \$5,830,362. The following table provides a summary of the City's net assets:

	Government-type Activities		Business-type Activities		Total Primary Government		Increase/ Decrease	Percentage Change
	2006	2005	2006	2005	2006	2005		
Assets								
Current assets	\$ 330,162	\$ 247,414	\$ 144,753	\$ 193,827	\$ 474,915	\$ 441,241	\$ 33,674	7.63%
Capital assets, net	3,931,683	3,913,525	2,062,490	1,995,572	5,994,173	5,909,097	85,076	1.44%
Total assets	4,261,845	4,160,939	2,207,243	2,189,399	6,469,088	6,350,338	118,750	1.87%
Liabilities								
Current liabilities	56,717	62,708	61,227	57,243	117,944	119,951	(2,007)	-1.67%
Long-term liabilities, current portion	13,538	18,616	34,974	20,339	48,512	38,955	9,557	24.53%
Long-term liabilities, net of current portion	29,134	29,134	302,038	331,936	331,172	361,070	(29,898)	-8.28%
Total liabilities	99,389	110,458	398,239	409,518	497,628	519,976	(22,348)	-4.30%
Net Assets								
Invested in capital assets, net of related debt	3,930,631	3,907,395	1,738,092	1,655,911	5,668,723	5,563,306	105,417	1.89%
Restricted:								
Debt service			26,579	25,824	26,579	25,824	755	2.92%
Grant purposes					-	-	-	
Unrestricted	231,825	143,086	44,333	98,146	276,158	241,232	34,926	14.48%
Total net assets	4,162,456	4,050,481	1,809,004	1,779,881	5,971,460	5,830,362	141,098	2.42%
Total liabilities and net assets	\$ 4,261,845	\$ 4,160,939	\$ 2,207,243	\$ 2,189,399	\$ 6,469,088	\$ 6,350,338	\$ 118,750	1.87%

Total revenues were \$1,874,377 compared to \$1,819,411, for the preceding year, an increase of \$54,966.

Total expenditures were \$1,712,315 compared to \$1,758,876 for 2005, an decrease of \$46,561.

Comparative revenue data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in revenues and expenditures:

Statement of Activities For the Year Ended September 30,								
	Government-type Activities		Business-type Activities		Total Primary Government		Increase/ Decrease	Percentage Change
	2006	2005	2006	2005	2006	2005		
Revenues								
Program revenues								
Charges for services	\$ 71,624	\$ 108,794	\$ 569,402	\$ 603,523	\$ 641,026	\$ 712,317	\$ (71,291)	-10.01%
Operating grants and contributions	136,032	170,071	83,404	-	219,436	170,071	49,365	29.03%
Total program revenues	<u>207,656</u>	<u>278,865</u>	<u>652,806</u>	<u>603,523</u>	<u>860,462</u>	<u>882,388</u>	<u>(21,926)</u>	<u>-2.48%</u>
General revenues								
Taxes	901,435	807,686	-	-	901,435	807,686	93,749	11.61%
Investment income	5,044	2,690	1,222	719	6,266	3,409	2,857	83.81%
Miscellaneous	103,744	125,505	2,470	423	106,214	125,928	(19,714)	-15.65%
Transfers	17,875	(113,504)	(17,875)	113,504	-	-	-	NA
Total general revenues	<u>1,028,098</u>	<u>822,377</u>	<u>(14,183)</u>	<u>114,646</u>	<u>1,013,915</u>	<u>937,023</u>	<u>76,892</u>	<u>8.21%</u>
Total revenues	<u>1,235,754</u>	<u>1,101,242</u>	<u>638,623</u>	<u>718,169</u>	<u>1,874,377</u>	<u>1,819,411</u>	<u>54,966</u>	<u>3.02%</u>
Expenses								
Administrative offices	346,009	443,684	-	-	346,009	443,684	(97,675)	-22.01%
Fire department	62,859	46,016	-	-	62,859	46,016	16,843	36.60%
Streets, roads, highways, airports	178,936	162,318	-	-	178,936	162,318	16,618	10.24%
Parks and recreation	676	4,349	-	-	676	4,349	(3,673)	-84.46%
Public safety and judicial	535,073	498,750	-	-	535,073	498,750	36,323	7.28%
Capital outlay	-	17,929	-	-	-	17,929	(17,929)	
Water and sewer	-	-	402,267	380,716	402,267	380,716	21,551	5.66%
Sanitation	-	-	172,701	182,072	172,701	182,072	(9,371)	-5.15%
Interest on long-term debt	226	780	13,568	22,262	13,794	23,042	(9,248)	-40.14%
Total expenses	<u>1,123,779</u>	<u>1,173,826</u>	<u>588,536</u>	<u>585,050</u>	<u>1,712,315</u>	<u>1,758,876</u>	<u>(46,561)</u>	<u>-2.65%</u>
Change in net assets	<u>111,975</u>	<u>(72,584)</u>	<u>50,087</u>	<u>133,119</u>	<u>162,062</u>	<u>60,535</u>	<u>101,527</u>	<u>167.72%</u>

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

General Fund Budgetary Highlights

The budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General fund.

During 2006, the City amended its general fund budget. All recommendations for a budget change come from the City Accountant to the City Clerk for review before going to the Board of Aldermen for ordinance enactment on the change. The Board does not allow budget changes that modify line items within the departments without board approval. With the General fund supporting many of the major activities, such as the police and fire departments, the General fund is monitored closely for possible revenue shortfalls or over spending by individuals departments. For the General fund, original and final budgeted revenues were \$846,000 and \$938,000, respectively, while actual revenues were \$1,054,317 (See budgetary comparison schedule, page 18). This change is a result of increases in taxes, charges for services, and other miscellaneous activities.

Capital Asset and Debt Administration

Capital assets

The City invested \$7,836,367 in a broad range of capital assets, including transportation infrastructure, land and buildings, furniture and equipment, vehicles and automotive equipment.

Category	Government-type Activities		Business-type Activities		Total Primary Government		Increase/ Decrease	Percentage Change
	2006	2005	2006	2005	2006	2005		
Land and land improvements	\$ 385,029	\$ 374,724	\$ 7,500	\$ 7,500	\$ 392,529	\$ 382,224	\$ 10,305	2.70%
Buildings and building improvements	2,068,321	2,068,321	2,262,684	2,262,684	4,331,005	4,331,005	-	-
Furniture & equipment	896,177	888,324	242,125	242,125	1,138,302	1,130,449	7,853	0.69%
Mobile equipment	317,516	317,516	4,916	4,916	322,432	322,432	-	-
Infrastructure	264,640	264,640	1,387,459	1,320,541	1,652,099	1,585,181	66,918	4.22%
Total capital assets	3,931,683	3,913,525	3,904,684	3,837,766	7,836,367	7,751,291	85,076	1.10%
Accumulated depreciation	-	-	(1,842,194)	(1,842,194)	(1,842,194)	(1,842,194)	-	-
Total capital assets, net	\$ 3,931,683	\$ 3,913,525	\$ 2,062,490	\$ 1,995,572	\$ 5,994,173	\$ 5,909,097	\$ 85,076	1.44%

Investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2006 was \$3,931,683 and \$2,062,490, respectively.

Long-term debt

The City financed \$379,684 in general obligation and other outstanding long-term debt obligations.

Category	Government-type Activities		Business-type Activities		Total Primary Government		Increase/ Decrease	Percentage Change
	2006	2005	2006	2005	2006	2005		
Capital leases	\$ 1,052	\$ 6,130	\$ 1,533	\$ 9,698	\$ 2,585	\$ 15,828	\$ (13,243)	-83.67%
Capital improvement loan (CAP)	-	-	33,557	36,483	33,557	36,483	(2,926)	-8.02%
Water and Sewer bonds	-	-	289,308	293,480	289,308	293,480	(4,172)	-1.42%
Sub-total general obligation debt	1,052	6,130	324,398	339,661	325,450	345,791	(20,341)	-5.88%
Compensated absences	41,620	41,620	12,614	12,614	54,234	54,234	-	-
Total long-term debt	<u>\$ 42,672</u>	<u>\$ 47,750</u>	<u>\$ 337,012</u>	<u>\$ 352,275</u>	<u>\$ 379,684</u>	<u>\$ 400,025</u>	<u>\$ (20,341)</u>	<u>-5.08%</u>

During the year, the City paid down debt by retiring \$20,341 in outstanding bonds, loans and capital leases.

CONTACTING CITY OF HOLLANDALE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the finances of the City of Hollandale and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Helen Johnson, City Clerk
P.O. Box 395
Hollandale, MS 38748
(662)-827-2241

City of Hollandale
Government-wide Statement of Net Assets
As of September 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 182,055	\$ 4,467	\$ 186,522
Investments	100,000	-	100,000
Taxes receivable, net of allowances	35,532	-	35,532
Internal balance	11,721	(11,721)	-
Due from others, net of allowances	854	77,738	78,592
Restricted assets:			
Restricted assets-cash	-	4,579	4,579
Restricted assets-customer deposits	-	47,690	47,690
Restricted assets-investments	-	22,000	22,000
Total current assets	<u>330,162</u>	<u>144,753</u>	<u>474,915</u>
Noncurrent assets:			
Capital assets (note 3)			
Land and land improvements	385,029	7,500	392,529
Buildings and building improvements	2,068,321	2,262,684	4,331,005
Furniture & equipment	896,177	242,125	1,138,302
Mobile equipment	317,516	4,916	322,432
Infrastructure	264,640	1,387,459	1,652,099
Total capital assets	<u>3,931,683</u>	<u>3,904,684</u>	<u>7,836,367</u>
Less accumulated depreciation	-	(1,842,194)	(1,842,194)
Capital assets, net	<u>3,931,683</u>	<u>2,062,490</u>	<u>5,994,173</u>
Total Assets	<u>4,261,845</u>	<u>2,207,243</u>	<u>6,469,088</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	56,700	13,327	70,027
Due to others	17	47,900	47,917
Compensated absences, current portion (note 4)	12,486	3,784	16,270
Long-term debt, current portion (note 4)	1,052	31,190	32,242
Total current liabilities	<u>70,255</u>	<u>96,201</u>	<u>166,456</u>
Noncurrent liabilities			
Compensated absences, net of current portion (note 4)	29,134	8,830	37,964
Long-term debt, net of current portion (note 4)	-	293,208	293,208
Total noncurrent liabilities	<u>29,134</u>	<u>302,038</u>	<u>331,172</u>
Total Liabilities	<u>99,389</u>	<u>398,239</u>	<u>497,628</u>
Net Assets (note 11)			
Invested in capital assets, net of related debt	3,930,631	1,738,092	5,668,723
Restricted:			
Debt service	-	26,579	26,579
Unrestricted	231,825	44,333	276,158
Total Net Assets	<u>4,162,456</u>	<u>1,809,004</u>	<u>5,971,460</u>
Total Liabilities and Net Assets	<u>\$ 4,261,845</u>	<u>\$ 2,207,243</u>	<u>\$ 6,469,088</u>

City of Hollandale
Government-wide Statement of Activities
For the Year Ended September 30, 2006

	Net Expense (Revenue) and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Functions/Programs					
Governmental Activities:					
Administrative offices	\$ 346,009	\$ 30,484	\$ 90,663	\$ -	\$ (224,862)
Fire department	62,859	-	-	-	(62,859)
Streets, roads, highways, and airports	178,936	-	10,305	-	(168,631)
Parks and recreation	676	-	-	-	(676)
Public safety and judicial	535,073	41,140	35,064	-	(458,869)
Capital outlay	-	-	-	-	-
Interest on long-term debt	226	-	-	-	(226)
Total governmental activities	<u>1,123,779</u>	<u>71,624</u>	<u>136,032</u>	<u>-</u>	<u>(916,123)</u>
Business-type activities:					
Water and sewer	415,835	392,869	83,404	-	60,438
Sanitation	172,701	176,533	-	-	3,832
Total business-type	<u>588,536</u>	<u>569,402</u>	<u>83,404</u>	<u>-</u>	<u>64,270</u>
Total primary government	<u>\$ 1,712,315</u>	<u>\$ 641,026</u>	<u>\$ 219,436</u>	<u>\$ -</u>	<u>(851,853)</u>

General revenues:

Taxes:					
Property taxes	563,136				563,136
Sales taxes	182,614				182,614
Franchise taxes	111,529				111,529
Gaming taxes	24,977				24,977
Gasoline taxes	19,179				19,179
Investment income	5,044			1,222	6,266
Miscellaneous	103,744			2,470	106,214
Transfers	17,875			(17,875)	-
Total general revenues	<u>1,028,098</u>			<u>(14,183)</u>	<u>1,013,915</u>
Changes in net assets					
Net assets, beginning of year, as restated	111,975			50,087	162,062
Net assets, end of year	<u>4,050,481</u>			<u>1,758,917</u>	<u>5,809,398</u>
	<u>\$ 4,162,456</u>			<u>\$ 1,809,004</u>	<u>\$ 5,971,460</u>

City of Hollandale
Governmental Funds Combined Balance Sheet
As of September 30, 2006

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Pooled cash and cash equivalents	\$ 150,235	\$ 131,820	\$ 282,055
Receivables (net of allowance for uncollectible):			
Taxes	35,532	-	35,532
Due from others	854	-	854
Due from other funds	90,924	91,008	181,932
Total Assets	<u>277,545</u>	<u>222,828</u>	<u>500,373</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	52,040	4,660	56,700
Due to other funds	161,241	8,970	170,211
Due to others	-	17	17
Total Liabilities	<u>213,281</u>	<u>13,647</u>	<u>226,928</u>
Fund balance and other credits:			
Fund balances:			
Unreserved, undesignated	64,264	209,181	273,445
Total fund and other credits	<u>64,264</u>	<u>209,181</u>	<u>273,445</u>
Total liabilities, fund balance, and other credits	<u>\$ 277,545</u>	<u>\$ 222,828</u>	<u>\$ 500,373</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Hollandale
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2006

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Property taxes	\$ 525,159	\$ 37,977	\$ 563,136
Sales taxes	182,614	-	182,614
Franchise taxes	111,529	-	111,529
Gaming taxes	24,977	-	24,977
Gasoline taxes	19,179	-	19,179
Fines, fees, licenses, and permits	71,624	-	71,624
Intergovernmental	11,398	124,634	136,032
Investment Income	4,543	501	5,044
Miscellaneous	103,294	450	103,744
Total revenue	<u>1,054,317</u>	<u>163,562</u>	<u>1,217,879</u>
Expenditures:			
Administrative offices	261,093	84,916	346,009
Streets, roads, highways, & airports	178,936	-	178,936
Public safety and judicial	535,073	-	535,073
Fire department	62,859	-	62,859
Parks and recreation	-	676	676
Sanitation	-	-	-
Capital outlay	7,853	10,305	18,158
Debt Service:			
Principal and interest	5,304	-	5,304
Total expenditures	<u>1,051,118</u>	<u>95,897</u>	<u>1,147,015</u>
Excess of revenues over (under) expenditures	<u>3,199</u>	<u>67,665</u>	<u>70,864</u>
Other financing sources (uses):			
Operating transfers in	207,022	-	207,022
Operating transfers out	(174,251)	(14,896)	(189,147)
Total other financing sources (uses)	<u>32,771</u>	<u>(14,896)</u>	<u>17,875</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>35,970</u>	<u>52,769</u>	<u>88,739</u>
Fund balances, beginning of year	28,294	156,412	184,706
Fund balances, end of year	<u>\$ 64,264</u>	<u>\$ 209,181</u>	<u>\$ 273,445</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Hollandale
Reconciliation of Total Governmental Fund Balance to Total Net Assets of Governmental Activities
For the Year Ended September 30, 2006

Governmental Funds Combined Balance Sheet--Total fund balance and other credits		\$ 273,445
Amounts reported for governmental activities of the statement of net assets are different because:		
<p>Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them. Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.</p>		
Capital assets, net of accumulated depreciation		3,931,683
<p>Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.</p>		
Long-term debt	(1,052)	
Compensated absences payable	<u>(41,620)</u>	
Total long-term debt		(42,672)
Statement of Net Assets--Total net assets of governmental activities		<u><u>\$ 4,162,456</u></u>

City of Hollandale
Reconciliation of Changes in Net Assets
For the Year Ended September 30, 2006

Statement of Revenues, Expenditures, and Changes in Fund Balances—Excess of revenues and other sources over (under) expenditures and other uses	\$ 88,739
<p>Additions to capital assets and construction in progress are uses of current financial resources for fund level statements but are capitalized and depreciated for entity-wide statements. Therefore capitalized expenditures are not recognized as expenses but as capital assets that are depreciated. This expense, although not a use of current financial resources, is expensed on the entity-wide statements.</p>	
Capitalized expenditures	18,158
<p>Reductions of long-term debt are recognized as debt service and an expenditure in the fund level statements. However in the entity-wide statements, the principle portion is not an expense but a reduction in a liability. Therefore, the amount the liability is reduced by is not expensed. This includes the reduction in compensated absences.</p>	
Principle payments	5,078
Additions to compensated absences	-
Statement of Net Assets—Change in net assets of governmental activities	<u>\$ 111,975</u>

City of Hollandale
Reconciliation Matrix for the Year Ended September 30, 2006
(modified accrual to full accrual balances)

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Annual Revenue Expense</u>
Combined Fund Balance Sheet and Statement of Fiduciary Assets	\$ 503,010	\$ (229,565)	\$ (273,445)	\$ -
Elimination of fiduciary transactions	(2,637)	2,637	-	-
Capital assets, beginning of year	3,913,525		(3,913,525)	-
Accumulated depreciation at beginning of year		-	-	-
Depreciation expense for the year 2005		-	-	-
Additions to capital assets	18,158	-	-	(18,158)
Elimination of interfund payables and receivables	(170,211)	170,211	-	-
Long-term debt at beginning of year		(6,130)	6,130	-
Principle payments on long-term debt		5,078	-	(5,078)
Compensated absences payable, beginning of year	-	(41,620)	41,620	-
Additions to compensated absences	-	-	-	-
Subtotals	4,261,845	(99,389)	(4,139,220)	(23,236)
Close income/expense to equity			(23,236)	23,236
Governmentwide Statement of Net Assets-Governmental Activities	\$ 4,261,845	\$ (99,389)	\$ (4,162,456)	\$ -

City of Hollandale
Statement of Net Assets-Proprietary Funds
As of September 30, 2006

Assets and Other Debits	Water and Sewer
Current assets	
Pooled cash and investments	\$ 4,467
Due from others (net of allowance of \$35,339)	75,978
Due from other funds	46,613
Restricted assets-cash	4,579
Restricted assets-customer deposits	47,690
Restricted assets-investments	22,000
Total current assets	201,327
Noncurrent assets	
Capital assets (note 3)	
Land and land improvements	7,500
Buildings and building improvements	2,262,684
Infrastructure	1,387,459
Mobile equipment	4,916
Furniture and equipment	242,125
Total capital assets	3,904,684
Less: accumulated depreciation	(1,842,194)
Total capital assets, net	2,062,490
Total assets	2,263,817
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	13,327
Due to others	47,900
Due to other funds	56,574
Accrued compensated absences, current portion, (note 4)	3,784
Long-term debt, current portion (note 4)	31,190
Total current liabilities	152,775
Noncurrent liabilities (note 4)	
Accrued compensated absences, current portion	8,830
Long-term debt, net of current portion	293,208
Total noncurrent liabilities	302,038
Total liabilities	454,813
Net assets (note 11)	
Invested in capital assets, net of related debt	1,738,092
Restricted for debt service	26,579
Unrestricted	44,333
Total net assets	1,809,004
Total liabilities and net assets	\$ 2,263,817

See Independent Auditor's Report and Notes to the Financial Statements.

City of Hollandale
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the year ended September 30, 2006

	Water and Sewer
Operating revenues	
Sales to customers	\$ 548,410
Intergovernmental	83,404
Fines, fees, licenses, and permits	20,992
Miscellaneous revenue	2,470
Total operating revenues	655,276
Operating expenses	
Personnel services	166,175
Supplies	335,581
Other services and charges	68,990
Total operating expenses	570,746
Operating income (loss)	84,530
Nonoperating revenues (expenses)	
Interest revenue	1,222
Interest expense on long-term debt	(13,568)
Bad debt expense	(4,222)
Total non-operating expenses	(16,568)
Operating income before contribution and transfers	67,962
Other financing sources (uses)	
Operating transfers in	174,303
Operating transfers out	(192,178)
Total other financing sources (uses)	(17,875)
Change in net assets	50,087
Net assets, beginning of year, as restated	1,758,917
Net assets, end of year	\$ 1,809,004

City of Hollandale
Statement of Cash Flow—Proprietary Fund
As of September 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 557,279
Receipts from other revenue	107,480
Payments to suppliers	(363,275)
Payments to employees for services	(166,175)

NET CASH FLOWS FROM OPERATING ACTIVITIES	135,309
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfer in	174,303
Operating transfers out	(192,178)

NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(17,875)
--	-----------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on capital debt	(36,227)
Infrastructure construction	(71,140)
Interest paid on capital debt	(13,568)

NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(120,935)
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	1,222
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NET CASH FLOWS FROM INVESTING ACTIVITIES	1,222
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NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,279)
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BALANCES, BEGINNING OF YEAR	81,015
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BALANCES, END OF YEAR	\$ 78,736
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STATEMENT OF NET ASSETS-PROPRIETARY FUND-CASH RECONCILIATION:

Pooled cash	4,467
Restricted assets-cash	4,579
Restricted assets-customer deposits	47,690
Restricted assets-investments	22,000

TOTAL CASH AND EQUIVALENTS	\$ 78,736
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CASH FLOWS FROM OPERATING ACTIVITIES

Operating income (loss)	\$ 84,530
-------------------------	-----------

Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities	
--	--

Depreciation expense	-
(Increase) decrease in accounts receivable, net of allowance for doubtful accounts	9,483
Increase (decrease) in current liabilities	41,296

NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 135,309
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Noncash investing, capital, and financing activities	\$ -
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Fair value of donated assets	-
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Lease purchase agreements	-
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See independent auditor's report and notes to the financial statements.

City of Hollandale
Statement of Fiduciary Net Assets
September 30, 2006

	<u>Payroll Fund</u>	<u>Eliminations</u>		<u>Total Fiduciary Net Assets</u>
		<u>Debit</u>	<u>Credit</u>	
ASSETS				
Pooled cash and investments	\$ 2,637	\$ -	\$ -	\$ 2,637
Total Assets	<u>2,637</u>	<u>-</u>	<u>-</u>	<u>2,637</u>
LIABILITIES				
Due to other funds	1,760	1,760	-	-
Due to others	877	-	1,760	2,637
Total Liabilities	<u>\$ 2,637</u>	<u>\$ 1,760</u>	<u>\$ 1,760</u>	<u>\$ 2,637</u>

See Independent Auditor's Report and Notes to the Financial Statements.

REQUIRED SUPPLEMENTAL INFORMATION

City of Hollandale
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2006

	General Fund			
	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
Revenues:				
Taxes:				
Property taxes	\$ 440,000	\$ 440,000	\$ 525,159	\$ 85,159
Sales taxes	180,000	180,000	182,614	2,614
Franchise taxes	84,000	104,000	111,529	7,529
Gaming taxes	20,000	20,000	24,977	4,977
Gasoline taxes	20,000	20,000	19,179	(821)
Fines, fees, licenses, and permits	58,000	56,000	71,624	15,624
Intergovernmental	11,000	11,000	11,398	398
Investment Income	3,000	3,000	4,543	1,543
Miscellaneous	30,000	104,000	103,294	(706)
Total revenue	<u>846,000</u>	<u>938,000</u>	<u>1,054,317</u>	<u>116,317</u>
Expenditures:				
Administrative offices	268,000	298,000	261,093	36,907
Streets, roads, highways, & airports	166,000	196,000	178,936	17,064
Public safety and judicial	486,000	545,000	535,073	9,927
Fire department	50,000	50,000	62,859	(12,859)
Capital outlay	-	-	7,853	(7,853)
Debt Service:				
Principal and interest	-	-	5,304	(5,304)
Total expenditures	<u>970,000</u>	<u>1,089,000</u>	<u>1,051,118</u>	<u>37,882</u>
Excess of revenues over (under) expenditures	<u>(124,000)</u>	<u>(151,000)</u>	<u>3,199</u>	<u>154,199</u>
Other financing sources (uses):				
Operating transfers in	-	-	207,022	207,022
Operating transfers out	-	-	(174,251)	(174,251)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>32,771</u>	<u>32,771</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(124,000)</u>	<u>(151,000)</u>	<u>35,970</u>	<u>186,970</u>
Fund balances, beginning of year	28,294	28,294	28,294	-
Prior year adjustments			#REF!	#REF!
Fund balances, end of year	<u>\$ (95,706)</u>	<u>\$ (122,706)</u>	<u>#REF!</u>	<u>#REF!</u>

Adjustments necessary to convert the results of operation at end of year on the budget basis to the modified accrual basis (GAAP) are as follows:

Excess of revenues and other sources over (under) expenditures and other uses per the Budgetary Comparison Schedule	35,970
(Increases) decreases from revenues	-
(Increases) decreases from expenditures	-
Accrued as liabilities at September 30, 2006 (GAAP) but not in budget	-
Net change in fund balance per the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 35,970</u>

OTHER REQUIRED SUPPLEMENTAL INFORMATION

City of Hollandale
Other Required Supplemental Information
For the Year Ended September 30, 2006

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. Benefit provisions are established by state law and may be amended only by the State of 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.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary, and the City is required to contribute an actuarially determined rate. The current rate is 11.30% of annual covered payroll. 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 years ended September 30, 2006, 2005 and 2004 were \$64,368, \$58,410, and \$56,767, respectively, which satisfied the required contribution for each year.

City of Hollandale
Supplemental Notes to The
Government-wide and Fund Financial Statements
For the Year Ended September 30, 2006

Financial information of the City is presented in this report as follows:

- Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of financial activities.
- Government-wide financial statements consist of a statement of net assets and a statement of activities.
 - These statements report all assets, liabilities, revenues, expenses, gains, and losses of the City. Governmental activities are normally supported by taxes, intergovernmental revenues, fees, and charges for services. Fiduciary funds are not included in these government-wide financial statements; however, separate financial statements are presented.
 - Inter-fund receivables and payables were eliminated in the Government-wide Statement of Net Assets. Eliminations minimize the duplicating effect of assets and liabilities within the governmental activities total column.
 - The statement of activities presents a comparison between direct expenses and program revenues for each function of governmental activities.
 - Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.
- Fund financial statements consist of a series of statements focusing on information about major governmental funds. Separate financial statements are presented for the governmental, proprietary, and fiduciary funds.
 - A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type. The General fund is the only major fund.
 - The General fund is the accounting entity in which all governmental activity, except that which is required to be accounted for in other funds, is recorded. Its revenue consists primarily of sales and use taxes, investment income, fines, fee, license, and permit revenue; gaming revenue; intergovernmental revenue; charges for services; leases; and other miscellaneous sources. General fund expenditures represent costs of general government; administrative offices; public safety and judicial services; and streets, road, highways, and airport.
 - The City maintains fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of employees.
- Notes to the financial statements provide information that is essential to a user's understanding of the basic financial statements.
- Required supplementary information such as budgetary comparison schedules is required by GASB-34 governmental accounting standards.

Reconciliation of differences between Government-wide and fund financial statements

- GASB 34 standards require that depreciation expense be included in the expenses reported on the Government-wide Statement of Activities.
 - Depreciation expense was not reported in these financial statements.
- GASB 34 standards require that the year-end value of capital assets, net of accumulated depreciation, be reported on its Government-wide Statement of Net Assets. Capital assets include: land and land improvements, buildings and building improvements, furniture & equipment, mobile equipment, and infrastructure.
 - Capital assets with a current valuation of \$5,994,173 net of \$1,842,194 in accumulated depreciation are reported. Current year asset additions and disposals are reflected in these year-end balances. However, because certain capital assets and depreciation expense are not reported, the year-end value of capital assets are misstated.

- GASB 34 standards require interfund receivable and payable balances be eliminated from the Government-wide Statement of Net Assets.
 - Due to/due from interfund transactions within the Governmental and Proprietary funds of \$170,211 were eliminated to avoid over/under reporting of balances.
 - Interfund payable of \$1,760 owed to the Proprietary fund by its Trust & Agency funds were eliminated by application of this balance to the Governmental fund account maintained for receivables due from external parties.

- GASB 34 standards require that long-term debt obligation balances be reported.
 - Long-term debt of \$325,450, which includes obligations under capital leases, Public water and sewer revenue bonds, capital project loans, is recorded as a liability on the Government-wide Statement of Net Assets.
 - Long-term obligation for compensated absences of \$54,234 is recorded as a liability on the Government-wide Statement of Net Assets.
 - Compensated absence expense was not reported.

- GASB 34 standards require that debt principal retired during the year be recognized as a reduction in annual expenses reported on the Government-wide Statement of Activities.
 - Debt principal payments of \$5,078 are excluded from expenses.

City of Hollandale
Major Fund Designation
For the Year Ended September, 30 2006

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type *and* five percent (5%) of the total for the Governmental and Business fund types, combined. Because both conditions apply to the City of Hollandale, the 10% and 5% tests applied. GASB S-34 financial reporting model requires the presentation of individual fund data for each major fund.

The City maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. The City maintains a clearing account, where payroll-withholding amounts are routinely deposited and disbursed, and holds the cash balances as an agent and fund custodian. The Payroll Fund's cash and investment balances should be classified as a Fiduciary fund (Agency) under GASB S-34 standards.

CURRENT FUND & FUND TYPE	PROPOSED FUND TYPE PER GASB S-34	SELECTION BASIS	MAJOR FUNDS (YES / NO)
GENERAL REVENUE			
1 General Fund	Governmental	Always	Yes
SPECIAL REVENUE			
2 Fire	Governmental		No
3 Summer Food Program	Governmental		No
4 CDBG	Governmental		No
5 Hollandale Delta NRI	Governmental		No
6 Parks and Recreation	Governmental		No
7 FEMA	Governmental		No
8 Juvenile Holding Facility	Governmental		No
9 Drug Fund	Governmental		No
10 HOME Investment Program	Governmental		No
11 Airport Grant	Governmental		No
12 Crime Prevention MCPP	Governmental		No
13 Housing Improvement Activity	Governmental		No
14 COPS Grant	Governmental		No
15 First Time Homebuyers	Governmental		No
	Governmental		No
ENTERPRISE			
16 Water and Sewer	Proprietary		No
FIDUCIARY			
17 Payroll	Fiduciary (Private Purpose Trust)		N/A

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hollandale was incorporated February 24, 1890, under the laws of the State of Mississippi. The City operates under a Mayor-Board of Aldermen form of government, and provides the following services as authorized by its charter: public safety (police and fire), streets and highways, sanitation, culture and recreation, public improvements, planning and zoning, water and sewer services, and general administrative services.

As defined by accounting principles generally accepted in the United States of America (GAAP), the City is considered a "primary government".

A. Fund Accounting

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into four generic fund types and three broad fund categories as follow:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Water and Sewer Operations and Maintenance accounts receivable allowance for bad debt was \$25,049 for 2005, compared to \$35,339 at September 30, 2006.

Fiduciary Funds

Trust Funds - Trust Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. This includes the Expendable Trust Funds, which are accounted for in essentially the same manner as governmental funds.

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

City officials have elected not to capitalize items with a cost of less than \$500.00 for financial statement purposes. These items are expensed in the year of acquisition.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective June 15, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class. Being a phase 3 government with annual revenue less than \$10 million, the City is not required to retroactively report its infrastructure.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as expense against their operations. Accumulated depreciation is reported on the proprietary fund balance sheets. Depreciation is provided over the estimated useful lives of the capital assets using the straight-line method. The city did not report depreciation expense for the fiscal year ended September 30, 2006.

Expenditures for governmental fund types are required to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the Government-wide Statement of Net Assets.

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into invested in capital assets, net of related debt, restricted, temporarily restricted, and unrestricted components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collection governments and are recognized as revenue at that time.

Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay, and other employee amounts, which are not accrued at the fund level.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Revenues of the Water and Sewer fund are recognized and recorded based on monthly cycle billings.

D. Budgets

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

1. The City Clerk submits to the Mayor and Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers comments on proposed revenue sharing expenditures.
3. The budget is legally enacted at the September Board meeting.
4. Budgets for the General Funds are adopted on a cash basis.

Mississippi laws require that municipalities budget on a cash basis. Claims that have been incurred prior to the end of year and that are paid within 30 days are recorded under the modified-accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. Revenue is accounted for under the cash basis. Capital project funds are budgeted by project and do not lapse at year end. 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 statements 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.

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Cash and Investments

All deposits with financial institutions must be with institutions insured by the Federal Deposit Insurance Corporation. Institutions must pledge collateral equal to at least 105% of the amount of the deposits in excess of the insured amount.

Effective October 1, 2001, the Treasurer of the State of Mississippi is charged with the responsibility to assure adequate collateralization of deposits at all entities defined in Section 27-105-5 of the Miss. Code, which category includes the City of Hollandale.

Deposits—At year-end, the carrying amount of deposits was \$363,428 and the bank balance was \$414,659. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$314,659 was covered by Section 27-105-5 of the Miss. Code.

The City may invest its surplus funds in certificates of deposits, any bonds or direct obligations of the United States of America or the State of Mississippi, or in the bonds of any county, municipality or school district of Mississippi provided such bonds have been approved by a reputable bond attorney or have been validated by a decree of the Chancery Court. During 2006, the City invested in bank certificates of deposits. Certificates of deposits are deemed to be short-term, highly liquid investments and are treated as cash equivalents in the statement of cash flows.

Market value of the City's investments (certificates of deposit) was determined by the specific identification method based upon current yields of comparable certificates of deposits.

A summary of deposits, pooled investments, and the financial statement classification follows:

<u>Categories</u>	<u>Amount</u>	<u>Fund Type</u>	<u>Amount</u>
Total deposits and petty cash	\$ 241,428	Governmental	\$ 282,055
Total investments	122,000	Proprietary	78,736
Total book balance	<u>363,428</u>	Fiduciary	2,637
		Total book balance	<u>\$ 363,428</u>
<u>Financial statement classifications</u>			
Pooled cash and investments	289,159		
Restricted investments and cash	74,269		
Total book balance	<u>\$ 363,428</u>		

F. Encumbrances

State law does not require that funds be available when goods are ordered, only when paid. Due to this circumstance, the City does not employ an encumbrance system.

G. Compensated Absences

Employees are granted vacation and sick leave in varying amounts under terms of the City's personnel policies based upon length of service. Amounts of vested or accumulated vacation and sick leave not expected to be liquidated with expendable available (i.e., current) financial resources are reported as the long-term portion of compensated absences.

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursement to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reduction as expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

I. Reserves of Fund Balances

Reserves of fund balances are reported in various funds to indicate that a portion of the fund balance is restricted or segregated for a specific purpose.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 TAX REVENUES

Tax revenues consist of:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Property taxes	\$ 525,159	\$ 37,977	\$ 563,136
Sales taxes	182,614	-	182,614
Franchise taxes	111,529	-	111,529
Gaming taxes	24,977	-	24,977
Gasoline taxes	19,179	-	19,179
Total tax revenues	<u>\$ 863,458</u>	<u>\$ 37,977</u>	<u>\$ 901,435</u>

Property taxes attach as an enforceable lien on property January 1. The millage rate was 61.0 mills for the general fund and municipal fire department for the year ended September 30, 2006.

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 3 CAPITAL ASSETS

Summaries of governmental and business-type activities at September 30 follow:

Governmental Funds					
Capital Asset Class	Beginning of Year	Additions	Transfers & Disposals	Prior Year Adjustments	End of Year
Land and land improvements	\$ 374,724	\$ 10,305	\$ -	\$ -	\$ 385,029
Building and building improvements	2,068,321	-	-	-	2,068,321
Furniture and equipment	888,324	7,853	-	-	896,177
Mobile equipment	317,516	-	-	-	317,516
Infrastructure	264,640	-	-	-	264,640
Total capital assets	3,913,525	18,158	-	-	3,931,683
Less: accumulated depreciation	-	-	-	-	-
Total capital assets, net	\$ 3,913,525	\$ 18,158	\$ -	\$ -	\$ 3,931,683

Enterprise Fund					
Capital Asset Class	Beginning of Year	Additions	Transfers & Disposals	Prior Year Adjustments	End of Year
Land and land improvements	\$ 7,500	\$ -	\$ -	\$ -	\$ 7,500
Building and building improvements	2,262,684	-	-	-	2,262,684
Furniture and equipment	242,125	-	-	-	242,125
Mobile equipment	4,916	-	-	-	4,916
Infrastructure	1,320,541	66,918	-	-	1,387,459
Total capital assets	3,837,766	66,918	-	-	3,904,684
Less: accumulated depreciation	(1,842,194)	-	-	-	(1,842,194)
Total capital assets, net	\$ 1,995,572	\$ 66,918	\$ -	\$ -	\$ 2,062,490

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 4 CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Balance, Beginning of Year	Additions	Retirements	Adjustment	Balance, End of Year	Due within One Year
Governmental Activities						
Obligation under capital leases	\$ 6,130	\$ -	\$ 5,078	\$ -	\$ 1,052	\$ 1,052
Compensated absences	41,620	-	-	-	41,620	12,486
Total governmental activities long-term debt	<u>47,750</u>	<u>-</u>	<u>5,078</u>	<u>-</u>	<u>42,672</u>	<u>13,538</u>
Business-type Activities						
Water and Sewer Revenue Bonds:						
1975 Water and Sewer Revenue Bond	47,365	-	20,964	20,964	47,365	22,036
1999 Combined Water and Sewer Revenue Bonds	121,061	-	2,050	-	119,011	2,140
1999 Combined Water and Sewer Revenue Bonds	125,054	-	2,122	-	122,932	2,217
Capital improvement loans	36,483	-	2,926	-	33,557	3,264
Obligation under capital leases	9,698	-	8,165	-	1,533	1,533
Compensated absences	12,614	-	-	-	12,614	3,784
Total business-type activities long-term debt	<u>352,275</u>	<u>-</u>	<u>36,227</u>	<u>20,964</u>	<u>337,012</u>	<u>34,974</u>
Total long-term debt	<u>\$ 400,025</u>	<u>\$ -</u>	<u>\$ 41,305</u>	<u>\$ 20,964</u>	<u>\$ 379,684</u>	<u>\$ 48,512</u>

Bonds payable at September 30, 2006 are comprised of the following individual issues:

Revenue Bonds:

In 1999, the City issued \$126,800, Combined Water and Sewer System junior lien revenue bonds at 4.875% interest only payable on the first two anniversaries, principal and interest due on the third anniversary, and thereafter for 35 years or 2035.

In 1999, the City issued \$131,000, Combined Water and Sewer System combined junior lien revenue bonds, 5% interest only due on the first two anniversaries, equal principal payments together with interest payable over 35 years or 2035.

\$360,000, 1975 combined Water and Sewer System serial bonds, 5% interest only payable January 1, 1976-78; \$1,000 principal and interest payable January 1, 1979-1982; \$23,895 including principal and interest payable January 1, 1983-2020. This bond was acquired by General Electric Credit Corporation from Farmers Home Administration, the original holder. By supplemental agreement dated September 23, 1987, principal and interest maturities are now paid on a monthly basis in the amount of \$1,992.

There are a number of limitations and restrictions contained in the revenue bond indenture. The requirement that a reserve account in the amount of \$22,000 be set up and maintained has been met.

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 4 CHANGES IN LONG- TERM DEBT (CONTINUED)

At September 30, 2006, restricted assets related to debt service were:

<u>Restricted assets</u>	<u>Water and Sewer</u>
Bond Cushion	\$ 2,338
Depreciation	1,097
Contingency	1,144
Certificate of deposit	22,000
Total restricted	<u>\$ 26,579</u>

The requirements to amortize long-term obligations (excluding compensated absences) outstanding at year-end, including interest are as follows:

Year ending September 30	Governmental Activities		Business-type Activities				Principal	Interest	Total		
	Capital Lease		Capital Lease		Capital Improvement Loans					Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest				Principal	Interest
2007	\$ 1,052	\$ 9	\$ 1,533	\$ 10	\$ 3,264	\$ 962	\$ 26,393	\$ 12,666	\$ 45,889		
2008	-	-	-	-	3,364	863	27,722	11,338	43,287		
2009	-	-	-	-	3,466	760	6,932	10,399	21,557		
2010	-	-	-	-	3,571	655	4,986	10,170	19,382		
2011	-	-	-	-	3,680	546	5,216	9,940	19,382		
2012-2016					16,212	1,033	29,899	45,881	93,025		
2017-2021							37,427	38,353	75,780		
2022-2026							46,851	28,929	75,780		
2027-2031							58,648	17,132	75,780		
2032-2036							45,234	3,426	48,660		
Total payments	<u>\$ 1,052</u>	<u>\$ 9</u>	<u>\$ 1,533</u>	<u>\$ 10</u>	<u>\$33,557</u>	<u>\$4,819</u>	<u>\$289,308</u>	<u>\$188,234</u>	<u>518,522</u>		
Less interest									193,072		
Total principal									<u>\$ 325,450</u>		

Reconciliation to Government-wide Statement of Net Assets

Long-term debt, current portion	\$ 32,242
Long-term debt, net of current portion	293,208
Total long-term debt, excluding compensated absences	<u>\$ 325,450</u>

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 4 CHANGES IN LONG- TERM DEBT (CONTINUED)

- Limitation of Indebtedness:

No municipality shall hereafter issue bonds for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed 15 percent of the assessed value of the taxable property within such municipality, according to the then last completed assessment for taxation. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding indebtedness, both bonded and floating, shall exceed 20 percent of the assessed value of all taxable property within such municipality. Nothing herein contained shall be construed to apply to bonds heretofore issued by any municipality for school purposes, or to bonds heretofore or hereafter issued by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Sections 57- 1 -1 to 57 -1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-4-1 through 21-41-53.

	15 Percent	20 Percent
Authorized Debt Limit		
Assessed valuation (\$5,453,059)	\$ 881,903	\$ 1,175,871
Present debt subject to 15 percent limitation	-	-
Present debt subject to 20 percent limitation including debt subject to only 15 percent limitation	-	(1,052)
Margin for further debt	\$ 881,903	\$ 1,174,819

NOTE 5 INTERFUND TRANSACTIONS

Interfund receivable and payable balances are as follows:

	Interfund Receivable	Interfund Payable
General fund	\$ 90,924	\$ 161,241
Special revenue funds		
Fire	16,270	
Summer Food	5,000	319
CDBG	18,000	-
Hollandale Delta NRI	-	7,832
Parks and recreation	885	-
FEMA	35,650	-
Juvenile Holding Facility	-	819
COPS	15,203	-
Fudiciary fund		
Payroll	-	1,760
Enterprise fund		
Water and Sewer	46,613	56,574
Total interfund transactions	\$ 228,545	\$ 228,545

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 5 INTERFUND TRANSACTIONS (CONTINUED)

Interfund operating transfers are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 207,022	\$ 174,251
Special revenue funds		
FEMA	-	14,896
Enterprise fund		
Water and Sewer	174,303	192,178
Total transfers	<u>\$ 381,325</u>	<u>\$ 381,325</u>

NOTE 6 GRANTS

Effective June 7, 1995, the City received a \$411,650 Community Development Block Grant through the Mississippi Department of Economic and Community Development. Other sources provided another \$411,650. Proceeds were used for the construction of a sewerage lagoon and installation of a new water well. During 2001, two revenue bond issues were sold totaling \$257,800. Proceeds were used in the construction and completion of the sewerage lagoon together with a CAP loan totaling \$51,000.

NOTE 7 FUND BALANCES

Deficit fund balances were incurred in the following funds:

<u>Fund</u>	<u>Amount</u>
Hollandale Delta NRI	\$ (12,282)
Juvenile Holding Facility	(819)
Total	<u>\$ (13,101)</u>

NOTE 8 GASB STATEMENTS 33 and 34

This report incorporates GASB Statements 33 and 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. The City adopted and partially implemented GASB Statement No. 34 at September 30, 2004. The City was required to prospectively record and depreciated general infrastructure and capital assets since June 15, 2003. Infrastructure assets include roads, bridges, sewer systems, sidewalks, etc. Although required to, the City did not record depreciation on assets acquired, nor did it record compensated absence expense.

NOTE 9 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 contracts with insurance companies for coverage of property, general liability, crime and automobile, workers' compensation, and other personnel related-issues.

City of Hollandale
Notes to Financial Statements
September 30, 2006

NOTE 10 LITIGATION LOSSES

The City recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred, the loss is probable, and the loss is reasonably estimable.

NOTE 11 PRIOR YEAR ADJUSTMENTS

Adjustments to net assets were recorded as follows:

	Governmental Activities	Business-type Activities	Total
Net assets, beginning of year	\$ 4,050,481	\$ 1,779,881	\$ 5,830,362
Adjustments:			
Adjustment to long term debt	-	(20,964)	(20,964)
Subtotal adjustments	-	(20,964)	(20,964)
Net assets, beginning of year, as restated	4,050,481	1,758,917	5,809,398
Change in net assets	111,975	50,087	162,062
Net assets, end of year	\$ 4,162,456	\$ 1,809,004	\$ 5,971,460

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Mayor and Board of Alderman of
City of Hollandale

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hollandale (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2006. The report on governmental activities, business-type activities and each major fund was qualified because the City did not record accumulated depreciation and depreciated expense on capital assets. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated October 27, 2006.

This report is intended solely for the information and use of the Board of Alderman, management of the City, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Saint Louis, Missouri
October 27, 2006

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderman of the
City of Hollandale, Mississippi

We have audited the financial statements of the City of Hollandale (the City) as of and for the year ended September 30, 2006, and have issued our report dated October 27, 2006. 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*.

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 state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements disclosed no material instances of noncompliance with state laws and regulations.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City's management and the Office of the State Auditor 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.



Saint Louis, Missouri
October 27, 2006

SUPPLEMENTAL INFORMATION

**City of Hollandale
Schedule of Surety Bonds
September 30, 2006**

Name	Position	Surety Company	Expiration Date	Amount
Willie J. Burnside	Mayor	Travelers Casualty and Surety Company of America	Indefinite	\$ 50,000
Helen M. Johnson	City Clerk/Tax Collector	Travelers Casualty and Surety Company of America	Indefinite	50,000
Helen M. Johnson	City Clerk/Court Clerk	Travelers Casualty and Surety Company of America	Indefinite	50,000
Jeannette Bowdre	Deputy Clerk	United States Fidelity and Guaranty Company	Indefinite	12,500
Jackie Ballard	Deputy Clerk	Travelers Casualty and Surety Company of America	9/1/07	10,000
Linda Baker	Deputy Clerk	United States Fidelity and Guaranty Company	Indefinite	12,500
Carl Dorsey	Alderman	Travelers Casualty and Surety Company of America	7/1/07	50,000
Charles E. Morrow	Alderman	Travelers Casualty and Surety Company of America	7/1/07	50,000
Robert Swint	Alderman	Travelers Casualty and Surety Company of America	7/1/07	50,000
Ronnie T. Williams	Alderman	Travelers Casualty and Surety Company of America	7/1/07	50,000
Janice M. Johnson	Alderman	Travelers Casualty and Surety Company of America	7/1/07	50,000
Jimmy L. Taylor	Chief of Police	United States Fidelity and Guaranty Company	Indefinite	50,000
Deloris Ann Swint	Radio Dispatcher	Travelers Casualty and Surety Company of America	Indefinite	10,000
Georgette L. Oatis	Radio Dispatcher	Travelers Casualty and Surety Company of America	Indefinite	10,000
Erma Jean Atkins	Radio Dispatcher	Travelers Casualty and Surety Company of America	Indefinite	10,000
Sandra White	Radio Dispatcher	Travelers Casualty and Surety Company of America	Indefinite	10,000
Mary D. Briscoe	Radio Dispatcher	Travelers Casualty and Surety Company of America	Indefinite	10,000

City of Hollandale
 Non-Major Governmental Funds
 Combining Balance Sheet
 As of September 30, 2006

	100	101	102	103	105	106	107	110	1 of 2
	Fire	Summer Food Program	CDBG	Hollandale Delta NRI	Parks and Recreation	FEMA	Juvenile Holding Facility	Drug Fund	Balance Carried Forward
ASSETS									
Pooled cash and cash equivalents	\$ 98,387	\$ 377	\$ 3,160	\$ -	\$ 6,818	\$ -	\$ -	\$ 1,778	\$ 110,520
Due from other funds	16,270	5,000	18,000	-	885	35,650	-	-	75,805
Total Assets	<u>114,657</u>	<u>5,377</u>	<u>21,160</u>	<u>-</u>	<u>7,703</u>	<u>35,650</u>	<u>-</u>	<u>1,778</u>	<u>186,325</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued expenses	-	-	-	4,450	210	-	-	-	4,660
Due to other funds	-	319	-	7,832	-	-	819	-	8,970
Due to others	-	17	-	-	-	-	-	-	17
Total Liabilities	<u>-</u>	<u>336</u>	<u>-</u>	<u>12,282</u>	<u>210</u>	<u>-</u>	<u>819</u>	<u>-</u>	<u>13,647</u>
Fund balances and other credits:									
Fund balances:									
Unreserved, undesignated	114,657	5,041	21,160	(12,282)	7,493	35,650	(819)	1,778	172,678
Total fund balances and other credits	<u>114,657</u>	<u>5,041</u>	<u>21,160</u>	<u>(12,282)</u>	<u>7,493</u>	<u>35,650</u>	<u>(819)</u>	<u>1,778</u>	<u>172,678</u>
Total liabilities, fund balances, and other credits	<u>\$ 114,657</u>	<u>\$ 5,377</u>	<u>\$ 21,160</u>	<u>\$ -</u>	<u>\$ 7,703</u>	<u>\$ 35,650</u>	<u>\$ -</u>	<u>\$ 1,778</u>	<u>\$ 186,325</u>

City of Hollandale
 Non-Major Governmental Funds
 Combining Balance Sheet
 As of September 30, 2006

	1 of 2	111	112	114	116	117	118	2 of 2
	Balance Brought Forward	HOME Investment Project	Airport Grant	Crime Prevention MCPP	Housing Improvement Activity	COPS Grant	First-time Homebuyers Programs	Total Non-major Funds
ASSETS								
Pooled cash and cash equivalents	\$ 110,520	352	-	\$ 10,389	9,501	-	\$ 1,058	\$ 131,820
Due from other funds	75,805	-	-	-	-	-	-	91,008
Total Assets	<u>\$ 186,325</u>	<u>352</u>	<u>-</u>	<u>10,389</u>	<u>9,501</u>	<u>15,203</u>	<u>1,058</u>	<u>222,828</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued expenses	4,660	-	-	-	-	-	-	4,660
Due to other funds	8,970	-	-	-	-	-	-	8,970
Due to others	17	-	-	-	-	-	-	17
Total Liabilities	<u>13,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,647</u>
Fund balances and other credits:								
Fund balances:								
Unreserved, undesignated	172,678	352	-	10,389	9,501	15,203	1,058	209,181
Total fund balances and other credits	<u>172,678</u>	<u>352</u>	<u>-</u>	<u>10,389</u>	<u>9,501</u>	<u>15,203</u>	<u>1,058</u>	<u>209,181</u>
Total liabilities, fund balances, and other credits	<u>\$ 186,325</u>	<u>\$ 352</u>	<u>\$ -</u>	<u>\$ 10,389</u>	<u>\$ 9,501</u>	<u>\$ 15,203</u>	<u>\$ 1,058</u>	<u>\$ 222,828</u>

City of Hollandale
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2006

	100	101	102	103	105	106	107	110	1 of 2
	Fire Fund	Summer Food Program	CDBG	Hollandale Delta NRI	Parks and Recreation	FEMA	Juvenile Holding Facility	Drug Fund	Balance Carried Forward
Revenues:									
Taxes:									
Property taxes	\$ 37,977	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,977
Intergovernmental	-	-	-	79,265	-	35,064	-	-	114,329
Investment income	-	-	48	-	-	-	-	-	48
Miscellaneous	-	-	-	-	450	-	-	-	450
Total revenue	<u>37,977</u>	<u>-</u>	<u>48</u>	<u>79,265</u>	<u>450</u>	<u>35,064</u>	<u>-</u>	<u>-</u>	<u>152,804</u>
Expenditures:									
Administrative offices	-	-	-	84,916	-	-	-	-	84,916
Streets, roads, highways, & airports	-	-	-	-	-	-	-	-	-
Fire department	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	676	-	-	-	676
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,916</u>	<u>676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,592</u>
Excess of revenues over (under) expenditures	<u>37,977</u>	<u>-</u>	<u>48</u>	<u>(5,651)</u>	<u>(226)</u>	<u>35,064</u>	<u>-</u>	<u>-</u>	<u>67,212</u>
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	(14,896)	-	-	(14,896)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,896)</u>	<u>-</u>	<u>-</u>	<u>(14,896)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>37,977</u>	<u>-</u>	<u>48</u>	<u>(5,651)</u>	<u>(226)</u>	<u>20,168</u>	<u>-</u>	<u>-</u>	<u>52,316</u>
Fund balances, beginning of year	76,680	5,041	21,112	(6,631)	7,719	15,482	(819)	1,778	120,362
Fund balances, end of year	<u>\$ 114,657</u>	<u>\$ 5,041</u>	<u>\$ 21,160</u>	<u>\$ (12,282)</u>	<u>\$ 7,493</u>	<u>\$ 35,650</u>	<u>\$ (819)</u>	<u>\$ 1,778</u>	<u>\$ 172,678</u>

City of Hollandale
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2006

	1 of 2	111	112	114	116	117	118	2 of 2
	Balance Brought Forward	HOME Investment Project	Airport Grant	Crime Prevention MCPP	Housing Improvement Activity	COPS Grant	First-time Homebuyers Programs	Total Non-Major Funds
Revenues:								
Taxes:								
Property taxes	37,977	-	-	-	-	-	-	37,977
Intergovernmental	114,329	-	10,305	-	-	-	-	124,634
Investment Income	48	-	-	125	328	-	-	501
Miscellaneous	450	-	-	-	-	-	-	450
Total revenue	152,804	-	10,305	125	328	-	-	163,562
Expenditures:								
Administrative offices	84,916	-	-	-	-	-	-	84,916
Streets, roads, highways, & airports	-	-	-	-	-	-	-	-
Fire department	-	-	-	-	-	-	-	-
Parks and recreation	676	-	-	-	-	-	-	676
Capital outlay	-	-	10,305	-	-	-	-	10,305
Total expenditures	85,592	-	10,305	-	-	-	-	95,897
Excess of revenues over (under) expenditures	67,212	-	-	125	328	-	-	67,665
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	(14,896)	-	-	-	-	-	-	(14,896)
Total other financing sources (uses)	(14,896)	-	-	-	-	-	-	(14,896)
Excess of revenues and other sources over (under) expenditures and other uses	52,316	-	-	125	328	-	-	52,769
Fund balances, beginning of year	120,362	352	-	10,264	9,173	15,203	1,058	156,412
Fund balances, end of year	172,678	352	-	10,389	9,501	15,203	1,058	209,181

**City of Hollandale
Adjusting Journal Entries
For the Year Ended September 30, 2006**

Entry No.	Account Number	Account Name	Debit	Credit
1	001-000-008	Bank of Hollandale-Unemployment	\$ -	\$ 10
	XXX-XXX-XXX	Bank of Hollandale-Summer Youth Recreation		633
	001-000-052	Bank of Hollandale-Accounts payable		49
	001-000-340	Interest income	59	
	001-000-349	Other-misc	633	
	102-000-001	Cash in bank		4
	102-000-190	Unappropriated surplus	4	
	116-000-001	Cash in bank	32	
	116-000-340	Interest income		32
	400-000-010	O & M Escrow	4	
	400-000-340	Interest income		4
	400-000-340	Interest income	61	
	400-000-190	Unappropriated surplus		61
		Description: To record interest earned and reverse prior year interest accrued on bank accounts. WP Ref: A		
2	400-XXX-XXX	W & S Bond Cushion	378	
	400-XXX-XXX	W & S Contingent	189	
	400-XXX-XXX	W & S Depreciation	188	
	400-000-184	B&I cushion fund		378
	400-000-185	Contingency fund		189
	400-000-186	Depreciation fund		188
	Description: To reclassify cash balances from liability accounts. TB			
3	001-000-260	Sales tax	760	
	001-000-219	City Utitilities Tax		760
	001-XXX-XXX	Accounts receivable	4,878	
	001-000-219	City Utitilities Tax		4,878
	Description: to correct recording error and record utility tax payable. W/P REF: G/L, 10-1-2, 10-5-3			
4	001-000-203	Delinquent-real	30,164	
	001-000-205	Delinquent-personal	220	
	001-XXX-XXX	Accounts receivable		30,384
	001-XXX-XXX	Accounts receivable	30,851	
	001-000-200	Real		28,996
	001-000-202	Personal		1,855
		Bad debt expense	47	
	001-000-xxx	Allowance for doubtful acct.		47
	Description: to adjust tax receivables. W/P REF: C-3			
5	001-000-297	Garbage fees	192,178	
	001-000-380	Operating transfers in		192,178
	001-XXX-XXX	Operating transfers out	172,701	
	001-222-501	Supplies & expense		172,701
	400-000-XXX	Operating transfers out	192,178	
	400-000-297	Garbage fees		192,178
	400-000-XXX	Sanitation	172,701	
400-000-XXX	Operating transfers in		172,701	
	Description: To transfer proprietary activity from general fund. WP Ref: TB			

City of Hollandale
Adjusting Journal Entries
For the Year Ended September 30, 2006

Entry No.	Account Number	Account Name	Debit	Credit
6	400-000-011	Accts Receivable	5,021	
	400-000-017	Allowance for doubtful acct.		13,649
	400-000-360	Water and Sewer Fees		1,469
	400-000-297	Garbage fees	5,875	
	400-xxx-xxx	Bad debt expenses	4,222	
		Description: To record receivable due from customers. WP Ref: TB		
7	001.000.100	Claims payable		546
	001-500-540	Miscellaneous Expense	546	
	103-000-100	Claims payable		4,389
	103-000-501	Miscellaneous Expense	4,389	
	105-000-100	Claims payable	3,070	
	105-000-501	Supplies & Expense		3,070
	400-650-601	Other service and expensess		644
	400.000.100	Claims payable	644	
		Description: To adjust claims payable to unpaid claims docket. W/P REF: AA-1		
8	400-000-114	Customer deposits		6,123
	400.000.360	Water & sewer fees	6,123	
		Description: to adjust customer deposits to detail. WP Ref: AA-2		
9	400.000.xxx	Cap imp. Loan payable	2,926	
	400.653.920	Cap loan		2,926
	400.000.190	Unapprop surplus	20,964	
	400.000.109	Rev bond payable		20,964
	400.000.109	Rev bond payable	25,136	
	400.653.910	Bond & interest		20,964
	400.623.920	Cap loan		4,172
	400.000.110	Lease payable - FMCC	9,698	
	400.XXX.XXX	Lease payable - CHN Capital		9,698
	400-651-730	Equipment	772	
	400-650-730	Equipment		772
	400.651.730	Equipment	1,550	
	400.XXX.XXX	Operating transfer in		1,550
	001.XXX.XXX	Operating transfer out	1,545	
	001.201.730	Equipment		1,545
	400.XXX.XXX	Lease payable - CHN Capital	8,165	
400.651.730	Equipment		8,165	
		Description: to adjust note payables. WP Ref: CC		
10	001.100.XXX	Debt service - principal	5,078	
	001.100.XXX	Debt service - interest	226	
	001.100.730	Equipment		5,304
		Description: to reclassify the debt service expenses. WP Ref: CC-5		
11	001.201.XXX	Capital outlay	7,853	
	001.201.730	Equipment		7,853
		Description: to reclassify the capital expenditures. WP Ref: G/L		
12	001-XXX-XXX	Due from other funds	14,844	
	001-XXX-XXX	Operating transfer in		14,844
	001-XXX-XXX	Due from other funds	38,747	
	001-000-349	Other - misc		38,747
		Description: to record interfund balance. WP Ref: G/L		

City of Hollandale
Adjusting Journal Entries
For the Year Ended September 30, 2006

Entry No.	Account Number	Account Name	Debit	Credit
13	800-000-070	Land	10,305	
	800-000-073	Equipment	7,853	
	800-000-192	Invest in GFA		18,158
		Description: to record fixed assets addition. WP Ref: G/L		
14	900-000-XXX	L/P- FMCC '03 Crown Vic	5,078	
	900-000-XXX	L/P- FMCC '03 Crown Vic	5,716	
	900-000-XXX	L/P- Kansas State Bank	2,982	
	900-000-091	Amount to be provided		13,776
		Description: to adjust the long term debt to beginning balance and record the 06 principal payment. WP Ref: CC		
15	114-000-190	Unapprop surplus	10	
	114-000-340	Interest		10
	116-000-190	Unapprop surplus	10	
	116-000-340	Interest		10
	100-000-197	Unapprop surplus	112	
	100-000-200	Revenue		112
		Description: to correct the current year entries made by clients to the fund balance accounts. WP Ref: G/L		
Government-wide Entries Only (Do Not Record)				
1	900-XXX-XXX	L/P- FMCC '03 Crown Vic	5,078	
	001.100.XXX	Debt service - principal		5,078
		Description: To reclassify expense to reduction in long-term debt. WP Ref: CC-5		
2	800-000-073	Equipment	7,853	
	800-000-070	Land	10,305	
	001-201-730	Equipment		7,853
	112-094-690	Acquired land		10,305
		Description: To reclassify expense to capital assets addition at governmental-wide level. WP Ref: F		
Total			<u>\$ 1,020,922</u>	<u>\$ 1,020,922</u>