

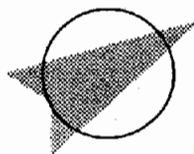


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**HOLLANDALE SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2005**



**Day** CERTIFIED PUBLIC ACCOUNTANT

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HOLLANDALE SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2005



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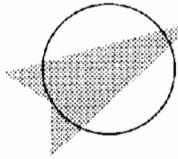


HOLLANDALE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

HOLLANDALE SCHOOL DISTRICT

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Diane Shaw Day, CPA

INDEPENDENT AUDITOR'S REPORT  
ON  
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Hollandale School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2005, which collectively comprise the Hollandale School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hollandale School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Hollandale School District, as of June 30, 2005, 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*, I have also issued my report dated May 5, 2006, on my consideration of the Hollandale School District's internal control over financial reporting and my 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 my 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 assessing the results of my audit.

The Management's Discussion and Analysis on pages (7) through (14) and the Budgetary Comparison Schedule and corresponding notes on pages (41) through (45) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollandale School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Day, CPA  
May 5, 2006

HOLLANDALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOLLANDALE SCHOOL DISTRICT

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Hollandale School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

The discussion and analysis of the Hollandale School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented and is included in this discussion and analysis.

#### **FINANCIAL HIGHLIGHTS**

- Total net assets increased \$290,870, which represents a 11% increase from fiscal year 2004. This increase in net assets is due primarily to the purchase of capital assets and the reduction of long-term debt during the fiscal year.
- General revenues accounted for \$5,770,440 in revenue, or 60% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,796,112, or 40% of total revenues.
- The District had \$9,275,682 in expenses; only \$3,796,112 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,770,440 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,235,219 in revenues and \$5,187,684 in expenditures. After net other financing uses of \$48,142, the General Fund's fund balance decreased \$607 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$70,481.
- Long-term debt decreased by \$356,077. This decrease is due primarily to principal payments made during the fiscal year on existing long-term debt.

Hollandale School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Hollandale School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 49 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$2,887,319 as of June 30, 2005.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$1,005,256 of the District's net assets

Hollandale School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

(35%) reflects its investment in capital assets (e.g., land, buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$1,021,359 of the District's net assets (35%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. \$860,704 of the District's net assets (30%) reflects its unrestricted net assets.

The District's financial position is a product of several financial transactions including the net result of activities, the payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 2,048,111	\$ 2,043,890
Capital assets, net	<u>2,992,160</u>	<u>3,062,641</u>
<b>Total assets</b>	<u>5,040,271</u>	<u>5,106,531</u>
Current liabilities	104,525	115,082
Long-term debt outstanding	<u>2,048,427</u>	<u>2,404,504</u>
<b>Total liabilities</b>	<u>2,152,952</u>	<u>2,519,586</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,005,256	800,670
Restricted	1,021,359	1,008,299
Unrestricted	<u>860,704</u>	<u>777,976</u>
<b>Total net assets</b>	<u>\$ 2,887,319</u>	<u>\$ 2,586,945</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- Capital assets decreased from the previous fiscal year due primarily to the current year depreciation of capital assets.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the decrease in long-term debt outstanding related to those capital assets.

Hollandale School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2005 were \$9,566,552. The total cost of all programs and services was \$9,275,682. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<b>Revenues:</b>		
Program revenues	\$ 3,796,112	\$ 4,918,638
General revenues	<u>5,770,440</u>	<u>5,894,363</u>
<b>Total revenues</b>	<u>9,566,552</u>	<u>10,813,001</u>
<b>Expenses:</b>		
Instruction	4,814,414	4,898,714
Support services	3,762,545	4,581,270
Non-instructional	562,765	594,980
Sixteenth section	10,415	12,693
Interest and other expenses on long-term liabilities	<u>125,543</u>	<u>143,129</u>
<b>Total expenses</b>	<u>9,275,682</u>	<u>10,230,786</u>
<b>Increase in net assets</b>	<u>\$ 290,870</u>	<u>\$ 582,215</u>

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Program revenues decreased from the previous fiscal year. During fiscal year 2004, the district received federal funds in excess of \$1M for school renovation.
- Support services expenses decreased from the previous fiscal year due primarily to a decrease in the cost of property insurance, maintenance service costs, administrative costs and the purchase of property.

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2005, the cost of five major District functional activities: instruction, support services, non-instructional services, sixteenth section and interest and other expenses on long-term liabilities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 4,814,414	\$ (2,793,049)	\$ 4,898,714	\$ (2,790,206)
Support services	3,762,545	(2,567,391)	4,581,270	(2,369,659)
Non-instructional services	562,765	15,151	594,980	(3,347)
Sixteenth section	10,415	(8,738)	12,693	(5,807)
Interest on long-term liabilities	<u>125,543</u>	<u>(125,543)</u>	<u>143,129</u>	<u>(143,129)</u>
<b>Total expenses</b>	<u>\$ 9,275,682</u>	<u>\$ (5,479,570)</u>	<u>\$ 10,230,786</u>	<u>\$ (5,312,148)</u>

Hollandale School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

- The net cost of governmental activities for fiscal year 2005 in the amount of \$5,479,570 was financed by general revenue, which is made up of primarily property taxes of \$1,160,203 and state revenue of \$4,452,116.
- Investment earnings accounted for \$18,612 of funding.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$1,961,246. The net change in fund balance for the fiscal year was an increase of \$10,964. \$1,954,944, or 99.7%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining portion of the fund balance, \$6,302, or 0.3% is reserved for inventory,

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of \$607. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$11,571.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from local sources in the General Fund were decreased due primarily to a decrease in ad valorem receipts as compared to the amount originally budgeted for ad valorem.

Hollandale School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

- Budgeted amounts for revenue from state sources in the General Fund were decreased due primarily to a decrease in Mississippi Adequate Education Program (MAEP) funds received as compared to the amount originally budgeted for MAEP funds.
- Budgeted amounts for instruction expenditures in the General Fund were decreased due primarily to a decrease in salaries and benefits as compared to the amounts originally budgeted for those expenditures.
- Budgeted amounts for support services expenditures in the General Fund were decreased due primarily to a decrease in salaries, benefits and property insurance as compared to the amounts originally budgeted for those expenditures.
- Budgeted amounts for revenue from federal sources and support services and noninstructional services expenditures in the Summer Feeding Fund were decreased to reflect actual revenue received and expenditures incurred. The amounts originally budgeted were overstated.
- Budgeted amounts for revenue from local and federal sources and instruction, support services and facilities acquisition and construction expenditures in the Early Head Start Fund were increased to reflect actual revenue received and expenditures incurred. The amounts originally budgeted were understated.
- Budgeted amounts for revenue from state sources and support services expenditures in the Delta Horizon Fund were decreased to reflect actual revenue received and expenditures incurred. The amounts originally budgeted were overstated.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets, before depreciation, were \$4,501,644, including land, buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$37,360 from the previous year. Total depreciation expense for the year was \$129,270. Total accumulated depreciation as of June 30, 2005 was \$1,509,484, resulting in total net assets of \$2,992,160.

**Debt Administration.** At June 30, 2005, the District had \$2,048,427 in general and limited obligation bonds and other long-term debt outstanding, of which \$376,401 is due within one year. During the fiscal year, the district made principal payments of \$358,401 on existing long-term debt.

Hollandale School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

**CURRENT ISSUES**

The Hollandale School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage rate has not increased or decreased significantly over the past several years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District declined approximately 58 students from the previous fiscal year. The budget for the next fiscal year has taken into account this reduction in both funding and staffing needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Hollandale School District, P. O. Box 128, Hollandale, MS 38748.

HOLLANDALE SCHOOL DISTRICT

FINANCIAL STATEMENTS

HOLLANDALE SCHOOL DISTRICT

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HOLLANDALE SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

Exhibit A

	Primary Government Governmental Activities
	<u>                    </u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 1,621,539
Investments (Note 2)	64,766
Due from other governments	330,327
Inventories and prepaid items	6,302
Restricted assets	25,177
Capital assets, net (Note 4)	<u>2,992,160</u>
Total Assets	<u>\$ 5,040,271</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 47,560
Deferred revenue	39,305
Interest payable on long-term liabilities	17,660
Long-term liabilities, due within one year (Note 5)	
Capital related liabilities	376,401
Long-term liabilities, due beyond one year (Note 5)	
Capital related liabilities	1,610,503
Non-capital related liabilities	<u>61,523</u>
Total Liabilities	<u>\$ 2,152,952</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	\$ 1,005,256
Restricted net assets:	
Expendable:	
School - based activities	402,497
Debt service	357,443
Capital improvements	193,873
Forestry improvements	14,650
Unemployment benefits	27,719
Non-expendable:	
Sixteenth section	25,177
Unrestricted	<u>860,704</u>
Total Net Assets	<u>\$ 2,887,319</u>

The notes to the financial statements are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 4,814,414	185,747	1,835,618	(2,793,049)
Support services	3,762,545		1,195,154	(2,567,391)
Non-instructional	562,765	21,903	556,013	15,151
Sixteenth section	10,415	1,677		(8,738)
Interest on long-term liabilities	125,543			(125,543)
<b>Total governmental activities</b>	<b>\$ 9,275,682</b>	<b>209,327</b>	<b>3,586,785</b>	<b>(5,479,570)</b>

**General Revenues:**

Taxes:

General purpose levies	909,394
Debt purpose levies	250,809

Unrestricted grants and contributions:

State	4,452,116
Federal	9,716
Unrestricted investment earnings	18,612
Sixteenth section sources	128,073
Other	1,720
<b>Total General Revenues</b>	<b>5,770,440</b>

Change in Net Assets 290,870

Net Assets - Beginning	2,586,945
Prior Period Adjustments ( Note 8)	9,504
<b>Net Assets - Beginning- Restated</b>	<b>2,596,449</b>

Net Assets - Ending \$ 2,887,319

The notes to the financial statements are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2005

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Summer Feeding Fund	Early Headstart	Delta Horizon	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents (Note 2)	\$ 712,105				934,611	1,646,716
Investments (Note 2)					64,766	64,766
Due from other governments	48,515	27,087	28,799	48,340	177,586	330,327
Due from other funds (Note 3)	130,389				27,087	157,476
Inventories and prepaid items					6,302	6,302
<b>Total Assets</b>	<b>\$ 891,009</b>	<b>27,087</b>	<b>28,799</b>	<b>48,340</b>	<b>1,210,352</b>	<b>2,205,587</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 30,305			1,333	15,922	47,560
Due to other funds (Note 3)		27,087	28,799	47,007	54,583	157,476
Deferred revenue					39,305	39,305
<b>Total Liabilities</b>	<b>30,305</b>	<b>27,087</b>	<b>28,799</b>	<b>48,340</b>	<b>109,810</b>	<b>244,341</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Inventory					6,302	6,302
Capital Projects funds					193,873	193,873
Debt Service funds					375,103	375,103
Unemployment benefits					27,719	27,719
Forestry improvements					14,650	14,650
Permanent funds					25,177	25,177
<b>Unreserved:</b>						
<b>Undesignated, reported in:</b>						
General fund	860,704					860,704
Special Revenue funds					457,718	457,718
<b>Total Fund Balances</b>	<b>860,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100,542</b>	<b>1,961,246</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 891,009</b>	<b>27,087</b>	<b>28,799</b>	<b>48,340</b>	<b>1,210,352</b>	<b>2,205,587</b>

The notes to the financial statements are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,961,246
Amounts reported for governmental activities in the statement of net assets are different because:	
1 Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,509,484.	2,992,160
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(2,048,427)
3 Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(17,660)
Total Net Assets - Governmental Activities	\$ <u>2,887,319</u>

The notes to the financial statements are an intergral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Summer Feeding Fund	Early Headstart	Delta Horizon		
<b>Revenues:</b>						
Local sources	\$ 1,075,816		1,817		310,552	1,388,185
State sources	4,148,287			142,422	769,678	5,060,387
Federal sources	11,116	27,087	399,577		2,550,449	2,988,229
Sixteenth section sources					129,750	129,750
<b>Total Revenues</b>	<b>5,235,219</b>	<b>27,087</b>	<b>401,394</b>	<b>142,422</b>	<b>3,760,429</b>	<b>9,566,551</b>
<b>Expenditures:</b>						
Instruction	3,148,840		116,183		1,490,676	4,755,699
Support services	2,027,429	502	233,488	142,439	1,266,592	3,670,450
Noninstructional services		26,585			560,998	587,583
Sixteenth section					10,415	10,415
Facilities acquisition and construction			43,870			43,870
Debt service:						
Principal	11,415				346,986	358,401
Interest					127,193	127,193
Other					1,976	1,976
<b>Total Expenditures</b>	<b>5,187,684</b>	<b>27,087</b>	<b>393,541</b>	<b>142,439</b>	<b>3,804,836</b>	<b>9,555,587</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>47,535</b>	<b>-</b>	<b>7,853</b>	<b>(17)</b>	<b>(44,407)</b>	<b>10,964</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	298,152			17	253,213	551,382
Operating transfers out	(346,294)		(7,853)		(197,235)	(551,382)
<b>Total Other Financing Sources (Uses)</b>	<b>(48,142)</b>	<b>-</b>	<b>(7,853)</b>	<b>17</b>	<b>55,978</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(607)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,571</b>	<b>10,964</b>
<b>Fund Balances:</b>						
July 1, 2004	861,311				1,088,783	1,950,094
Increase in reserve for inventory					188	188
<b>June 30, 2005</b>	<b>\$ 860,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100,542</b>	<b>1,961,246</b>

The notes to the financial statements are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2005

Exhibit D-1

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 10,964
Amounts reported for governmental activities in the statement of activities are different because:	
1 Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchase amounted to \$63,860 and the depreciation expense amounted to \$129,270. (Note 4)	(65,410)
2 Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 5)	358,401
3 Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activity.	188
4 Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the statement of activity.	(14,575)
5 Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences	(2,324)
Accrued interest on bonds and notes payable	3,626
Change in Net Assets of Governmental Activities	\$ <u>290,870</u>

The notes to the financial statements are an intergral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 330,273
	<u>                    </u>
<b>Total Assets</b>	<b>\$ <u>330,273</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 326,793
Due to student clubs	<u>3,480</u>
	<u>                    </u>
<b>Total Liabilities</b>	<b>\$ <u>330,273</u></b>

The notes to the financial statements are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT

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HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Hollandale since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

*Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

**General Fund** - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

**Summer Feeding Fund** - Summer Feeding funds are used to provide a summer feeding program to the children of Hollandale School District. This is a federal program and monies are used to purchase food / supplies and pay salaries of those employed.

**Early Headstart Fund** - This program is designed to provide childcare services to participants ages birth to three (3) years of age. A second component of this program provides pre-natal and post-natal care to pregnant females

**Delta Horizon Fund** - The purpose of this program is to provide the necessary assistance to students in an effort to improve test scores.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The school district 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.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide Statement of Net Assets. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

*Government-wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents that portion of fund balance in the capital projects fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvement purposes - An account that represents a portion of fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes - An account that represents a portion of fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

- (2) As required, the School District has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures- and amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard

Cash and Cash Equivalents, and Investments.

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,646,716 and \$330,273, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$1,621,539 and Restricted Assets - \$25,177. The Restricted Assets represent the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$2,497,019.

**Custodial Credit Risk – Deposits.** Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district's deposits may not be returned to it. The district does not have a deposit for custodial credit risk. As of June 30, 2005, none of the district's bank balance was exposed to custodial credit risk.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

Investments.

As of June 30, 2005, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Rating	Maturities	Fair Value
Hancock Horizon U. S. Treasury Securities Mmkt Fund	AAAm	Less than 1 year	\$ 64,766
<b>Total</b>			<b>\$ 64,766</b>

**Interest Rate Risk.** The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

**Custodial Credit Risk – Investments.** Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover the value of its investments. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2005, none of the district’s bank balance was exposed to custodial credit risk.

**Concentration of Credit Risk.** Disclosures of investments by amount and issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2005, the district had the following investments:

Issuer	Reporting Fund	Fair Value	% of Total Investment
Hancock Bank	Debt Service	\$ 64,766	100%
<b>Total</b>		<b>\$ 64,766</b>	<b>100%</b>

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Governmental funds:		
General fund	\$ 130,389	
Summer Feeding		27,087
Early Headstart		28,799
Delta Horizon		47,007
Other Governmental Funds	27,087	54,583
<b>Total Funds</b>	<b>\$ 157,476</b>	<b>157,476</b>

The interfund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

B. Transfers In/Out.

	Transfer In	Transfers Out
Governmental funds:		
General fund	\$ 298,152	346,294
Delta Horizon	17	
Early Headstart		7,853
Other Governmental Funds	253,213	197,235
Total Funds	\$ 551,382	551,382

The transfers were mainly the results of indirect cost transfers, textbooks and transportation transfers into Education Enhancement Fund numbers, vocational and special educational expenditure transfers, unemployment fund transfers, and debt service transfers.

4) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2004	Additions	Retirements	Adjustments	Balance 6/30/2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 109,178				109,178
Total non-depreciable capital assets	109,178	-	-	-	109,178
<u>Depreciable capital assets:</u>					
Buildings	3,397,556				3,397,556
Mobile equipment	651,629	14,006	(26,500)		639,135
Furniture and equipment	305,921	49,854			355,775
Total depreciable capital assets	4,355,106	63,860	(26,500)	-	4,392,466
<u>Less accumulated depreciation for:</u>					
Buildings	(831,118)	(56,156)			(887,274)
Mobile equipment	(367,840)	(43,784)	11,925		(399,699)
Furniture and equipment	(202,685)	(29,330)		9,504	(222,511)
Total accumulated depreciation	(1,401,643)	(129,270)	11,925	9,504	(1,509,484)
Total depreciable capital assets, net	2,953,463	(65,410)	(14,575)	9,504	2,882,982
Governmental activities capital assets, net	\$ 3,062,641	(65,410)	(14,575)	9,504	2,992,160

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 57,203
Support services	47,075
Non-instructional	24,992
Total depreciation expense	\$ 129,270

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

The prior period adjustments to the depreciation of furniture and equipment is to remove the accumulated depreciation of an item that was correctly removed from the capital assets as of June 30, 2004, however, the accumulated depreciation was not removed as of June 30, 2004.

(5) Long-term liabilities.

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance			Amounts due	
	7/1/2004	Additions	Reductions	Balance 6/30/2005	within one year
A. General obligation bonds payable	\$ 670,000		150,000	520,000	160,000
B. Limited obligation bonds payable	1,285,000		135,000	1,150,000	140,000
C. Three mill notes payable	306,971		61,986	244,985	64,985
D. Other loans payable	83,335		11,415	71,919	11,416
E. Compensated absences payable	59,198	2,324		61,523	-
Total	\$ 2,404,504	2,324	358,401	2,048,427	376,401

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation bonds Series 1988	Varies	07-01-88	05-01-08	\$ 2,000,000	520,000
Total				\$ 2,000,000	520,000

The following is a schedule by years of the total payments due on this debt:

Year Ending	Principal	Interest	Total
June 30			
2006	\$ 160,000	41,600	201,600
2007	175,000	28,800	203,800
2008	185,000	14,800	199,800
Total	\$ 520,000	85,200	605,200

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2004. This debt will be retired from the debt service fund.

B. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital Improvement, Series 1998	Varies	05-01-98	05-01-13	\$ 1,750,000	1,150,000
<b>Total</b>				<u>\$ 1,750,000</u>	<u>1,150,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2006	\$ 140,000	50,470	190,470
2007	145,000	44,590	189,590
2008	155,000	38,428	193,428
2009	160,000	31,763	191,763
2010	170,000	17,325	187,325
2011 - 2013	380,000	6,733	386,733
<b>Total</b>	<u>\$ 1,150,000</u>	<u>189,309</u>	<u>1,339,309</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the debt service fund.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

C. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1996 Promissory Note	4.75%	05-13-96	04-01-06	58,000	57,985
2000 Promissory Note	5.32%	05-15-00	05-01-10	216,000	187,000
<b>Total</b>				<b>\$ 274,000</b>	<b>244,985</b>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 64,985	12,741	77,726
2007	52,000	9,576	61,576
2008	55,000	6,810	61,810
2009	58,000	3,884	61,884
2010	15,000	798	15,798
<b>Total</b>	<b>\$ 244,985</b>	<b>33,809</b>	<b>278,794</b>

This debt will be retired from the debt service fund

D. Other loans payable.

The school district has issued debt instruments granted under the authority of *Section 37-59-101, Miss. Code Ann. (1972)*.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Asbestos Loan	0.00%	04-17-94	05-17-12	\$ 205,478	71,919
<b>Total</b>				<b>\$ 205,478</b>	<b>71,919</b>

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2006	\$ 11,416	-	11,416
2007	11,416	-	11,416
2008	11,415	-	11,415
2009	11,416	-	11,416
2010	11,415	-	11,415
2011 - 2012	14,841	-	14,841
Total	\$ 71,919	-	71,919

This debt will be retired from the general fund.

E. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(6) Defined Benefit Pension Plan.

**Plan Description.** The school district 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 school district is required to contribute at an actuarially determined rate. The current rate is 9.75% 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 school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$469,634, \$466,595, and \$454,944, respectively, which equaled the required contributions for each year.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2006	\$ 45,715
2007	45,715
2008	41,753
2009	37,273
Total	<u>\$ 170,456</u>

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. Overstatement of expenses	9,504
Total	<u>\$ 9,504</u>

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2005

(10) Risk Management.

The school district 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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance, which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated July 1, 2001, creating the Leland Vocational Consortium. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Leland School District, Shaw School District and Hollandale School District.

Section 37-13-92(6), Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Leland School District has been designated as the fiscal agent for the Leland School Consortium, and the operations of the consortium are included in its financial statements.

HOLLANDALE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

HOLLANDALE SCHOOL DISTRICT

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HOLLANDALE SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,124,847	1,072,412	1,075,816	(52,435)	3,404
State sources	4,327,534	4,149,688	4,149,687	(177,846)	(1)
Federal sources		9,716	9,716	9,716	-
Sixteenth section sources	37			(37)	-
<b>Total Revenues</b>	<b>5,452,418</b>	<b>5,231,816</b>	<b>5,235,219</b>	<b>(220,602)</b>	<b>3,403</b>
<b>Expenditures:</b>					
Instruction	3,260,139	3,149,620	3,148,840	110,519	780
Support services	2,197,131	1,999,936	2,027,429	197,195	(27,493)
Facilities Acquisition and Construction				-	-
<b>Debt service:</b>					
Principal	11,416	11,415	11,415	1	-
Interest					
<b>Total Expenditures</b>	<b>5,468,686</b>	<b>5,160,971</b>	<b>5,187,684</b>	<b>307,715</b>	<b>(26,713)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(16,268)</b>	<b>70,845</b>	<b>47,535</b>	<b>87,113</b>	<b>(23,310)</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	330,897	298,152	298,152	(32,745)	-
Operating transfers out	(314,819)	(346,294)	(346,294)	(31,475)	-
<b>Total Other Financing Sources (Uses)</b>	<b>16,078</b>	<b>(48,142)</b>	<b>(48,142)</b>	<b>(64,220)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(190)</b>	<b>22,703</b>	<b>(607)</b>	<b>22,893</b>	<b>(23,310)</b>
<b>Fund Balances:</b>					
July 1, 2004	826,036	826,036	861,311	-	35,275
June 30, 2005	\$ 825,846	848,739	860,704	22,893	11,965

The notes to the required supplementary information are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Summer Feeding Fund  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 42,981	27,087	27,087	(15,894)	-
Total Revenues	<u>42,981</u>	<u>27,087</u>	<u>27,087</u>	<u>(15,894)</u>	<u>-</u>
Expenditures:					
Support services	4,643	502	502	4,141	-
Noninstructional services	38,338	26,585	26,585	11,753	-
Total Expenditures	<u>42,981</u>	<u>27,087</u>	<u>27,087</u>	<u>15,894</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2005	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The notes to the required supplementary information are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Early Headstart  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Local sources	\$	1,817	1,817	1,817	-
Federal sources	292,535	399,577	399,577	107,042	-
<b>Total Revenues</b>	<b>292,535</b>	<b>401,394</b>	<b>401,394</b>	<b>108,859</b>	<b>-</b>
Expenditures:					
Instruction	100,803	116,183	116,183	(15,380)	-
Support services	156,363	233,488	233,488	(77,125)	-
Facilities Acquisition and Construction		43,870	43,870	(43,870)	-
<b>Total Expenditures</b>	<b>257,166</b>	<b>393,541</b>	<b>393,541</b>	<b>(136,375)</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>35,369</b>	<b>7,853</b>	<b>7,853</b>	<b>(27,516)</b>	<b>-</b>
Other Financing Sources (Uses):					
Operating transfers out	(35,369)	(7,853)	(7,853)	27,516	-
<b>Total Other Financing Sources (Uses)</b>	<b>(35,369)</b>	<b>(7,853)</b>	<b>(7,853)</b>	<b>27,516</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances:					
July 1, 2004				-	-
June 30, 2005	\$	-	-	-	-

The notes to the required supplementary information are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Delta Horizon  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ 197,156	142,422	142,422	(54,734)	-
Total Revenues	197,156	142,422	142,422	(54,734)	-
Expenditures:					
Support services	197,156	142,439	142,439	54,717	-
Total Expenditures	197,156	142,439	142,439	54,717	-
Excess (Deficiency) of Revenues Over Expenditures	-	(17)	(17)	(17)	-
Other Financing Sources (Uses):					
Operating transfers in		17	17	17	-
Total Other Financing Sources (Uses)	-	17	17	17	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2004	-	-	-	-	-
June 30, 2005	\$ -	-	-	-	-

The notes to the required supplementary information are an integral part of this statement.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2005

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents 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.

(2) Budget amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before the date established by the Mississippi Department of Education. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

HOLLANDALE SCHOOL DISTRICT

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HOLLANDALE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

HOLLANDALE SCHOOL DISTRICT

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HOLLANDALE SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Pass-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 35,732
Child nutrition cluster:		
School breakfast program	10.553	160,371
National school lunch program	10.555	377,011
Summer food service program for children	10.559	33,143
Total Child Nutrition Cluster		<u>570,525</u>
Child and adult care food program	10.558	17,210
Total		<u>623,467</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct programs:		
Opportunities for youth - youthbuild program	14.243	315,466
Total		<u>315,466</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title 1-grants to local educational agencies	84.010	670,345
Safe and drug-free schools and communities- state grants	84.186	18,776
Education for homeless children and youth	84.196	23,422
Even start - state educational agencies	84.213	378,965
State grants for innovative programs	84.298	6,500
Education technology state grants	84.318	27,699
Teacher quality enhancement grants for states and partnerships	84.336	1,400
Rural education	84.358	38,962
Improving teacher quality - state grant	84.367	145,782
Total		<u>1,311,851</u>
Special education cluster:		
Special education - grants to states	84.027	295,750
Special education - preschool grants	84.173	35,385
Total		<u>331,135</u>
Total passed-through Mississippi Department of Education		<u>1,642,986</u>
Total U.S. Department of Education		<u>1,642,986</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Temporary assistance for needy families	93.558	4,539
Early Head Start	93.600	399,577
Total		<u>404,116</u>
Corporation for National and Community Service		
Learn and serve America - school and community based programs	94.004	9,870
Total Corporation for National and Community Service		<u>9,870</u>
Total for All Federal Awards		<u>\$ 2,995,905</u>

## NOTES TO SCHEDULE

- This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
- The expenditures amounts include transfers out.
- The pass-through entities did not assign identifying numbers to the school district.
- The balance outstanding at June 30, 2005 of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$71,919.
- In the Schedule of Expenditures of Federal Awards for the fiscal ended June 30, 2003, CFDA #93.575 for the Child Care and Development Block Grant was incorrectly used to report federal program expenditures in the amount of \$529,115. The correct CFDA number should have been 93.600 for Head Start.

HOLLANDALE SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds  
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 6,741,685	4,204,877	930,367	1,606,441
Other	<u>2,813,902</u>	<u>550,822</u>	<u>177,460</u>	<u>2,085,620</u>
Total	\$ <u>9,555,587</u>	<u>4,755,699</u>	<u>1,107,827</u>	<u>3,692,061</u>
Total number of students	875			
Cost per student	\$ 10,921	5,435	1,266	4,220

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type - all the 1000 functional codes

Administrative - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

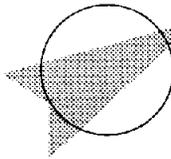
Other - includes all expenditure functions not included in Instruction or Administrative

HOLLANDALE SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HOLLANDALE SCHOOL DISTRICT

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Diane Shaw Day, CPA

INDEPENDENT AUDITOR'S 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*

Superintendent and School Board  
Hollandale School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2005, which collectively comprise the Hollandale School District's basic financial statements and have issued my report thereon dated May 5, 2006. I conducted my 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 my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 2005-1, 2005-2, and 2005-3.

A material weakness is a 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. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions referred to above, is a material weakness.

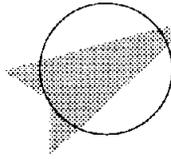
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted a certain immaterial instance of noncompliance or other matters that I have reported to management of the school district in a separate letter dated May 5, 2006, which is included in this report.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.

*Day, CPA*

Day, CPA  
May 5, 2006



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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Hollandale School District

Compliance

I have audited the compliance of the Hollandale School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, Hollandale School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of the Hollandale School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect the school district's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2005-4.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described in the findings referred to above is a material weakness.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.



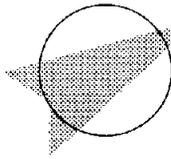
Day, CPA  
May 5, 2006

HOLLANDALE SCHOOL DISTRICT

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

HOLLANDALE SCHOOL DISTRICT

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

Superintendent and School Board  
Hollandale School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2005, which collectively comprise the Hollandale School District's basic financial statements and have issued my report thereon dated May 5, 2006. I conducted my 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.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed an instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$40,632 of classroom supply funds carried over from previous years.

1. FINDING

The district allowed a teacher to expend educational enhancement funds to purchase instructional supplies in excess of the individual teacher's allocation as determined by the district. The total amount expended in excess of the amount allocated to this teacher was \$307.04.

RECOMMENDATION

The district should comply with Section 37-61-33-(3)(a)(iii), and insure that educational enhancement funds for instructional supplies are properly allocated and expended.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-61-33-(3)(a)(iii), and insure that educational enhancement funds for instructional supplies are properly allocated and expended.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements did not disclose any instances of noncompliance with other 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 insure that corrective action has been taken.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Day, CPA". The signature is written in a cursive style.

Day, CPA  
May 5, 2006

HOLLANDALE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOLLANDALE SCHOOL DISTRICT

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HOLLANDALE SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements:                           | Unqualified |
| 2. | Material noncompliance relating to the financial statements?                           | No          |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weakness(es) identified?   | No          |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | Yes         |

Federal Awards:

- |     |   |             |
|-----|---|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 5.  | Internal control over major programs:   |             |
|     | a. Material weakness identified?  | Yes         |
|     | b. Reportable condition identified that is not considered to be material weaknesses?  | No          |
| 6.  | Any audit findings reported as required by Section ____ .510(a) of Circular A-133?  | Yes         |
| 7.  | Federal programs identified as major programs:  |             |
|     | a. Program name: Child Nutrition Cluster  |             |
|     | CFDA # 10.553   |             |
|     | CFDA # 10.555   |             |
|     | CFDA # 10.559   |             |
|     | b. Program name: Opportunities for youth – youthbuild program   |             |
|     | CFDA # 14.243   |             |
|     | c. Program name: Title I Grants to Local Educational Agencies   |             |
|     | CFDA # 84.010   |             |
|     | d. Program name: Special Education Cluster  |             |
|     | CFDA # 84.027   |             |
|     | CFDA # 84.173   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?  | No          |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | Yes         |

HOLLANDALE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section 2: Financial Statement Findings

**Reportable Conditions not considered to be material weaknesses**

2005-1 Finding

The district did not properly accrue \$27,493 in expenditures for the year ended June 30, 2005.

Recommendation

The district should implement policies and procedures to insure that expenditures are recorded and accounted for in the year incurred.

2005-2 Finding

Per my review of internal controls over payroll expenditures, I noted that, in some cases, voluntary payroll deductions were not supported by an executed authorization by the district employee.

Recommendation

The district should insure that voluntary payroll deductions are authorized in writing by the district employee. This authorization should be maintained in the district's personnel files and made available for audit review.

2005-3 Finding

In my examination of the district's internal controls over the activity funds of the district, I noted that receipts for January 2005 for Simmons High School were not written, recorded in general ledger, nor submitted to the school board for review in a timely manner. This represents an internal control weakness in the district's system of accountability for activity fund receipts.

Recommendation

The district should insure that all activity fund receipts are receipted, recorded in general ledger, and submitted to the school board for review in a timely manner.

HOLLANDALE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

**Section 3: Federal Award Findings and Questioned Costs**

**Material weakness**

2005-4 Finding

Compliance Requirements: Allowable Costs/ Cost Principles

Program: Title 1 – Grants to local educational agencies  
Program - CFDA # 84.010;  
U. S. Department of Education; Mississippi  
Department of Education.

I noted the following exceptions during my examination of the Title I program:

- The district did not maintain proper supporting documentation for time and attendance for the following employees with both federal and non-federal responsibilities:
  - Associate Superintendent/Federal Program Director
  - Counselor – Chamber's Middle School

Questioned Cost: \$87,444.82

**Recommendation**

- The district should implement procedures to insure that the proper supporting documentation for time and attendance for employees with both federal and non-federal responsibilities is properly utilized in processing payroll, properly maintained by the district and made available for audit.

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HOLLANDALE SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY OF PRIOR AUDIT FINDINGS

HOLLANDALE SCHOOL DISTRICT

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**Hollandale School District**  
**P. O. Box 128 101 W. Washington Street**  
**Hollandale, Mississippi**  
**Willie Amos, Superintendent**



**Jobana Frey,**  
**Associate Superintendent**

Telephone (601) 827-2276  
Fax (601) 827-5261

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_\_\_\_, 315 (b) of OMB Circular A-133, the Hollandale School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

Finding  
2005-1

Corrective Action Plan Details

a. Name of Contact Person(s) Responsible for Corrective Action:

Name: Vera V. Blue  
Title: Business Manager  
Phone#: (662) 827-2276

Name: Peggy J. Adams  
Title: Accounts Payable/Purchasing/  
Fixed Assets  
Phone#: (662) 827-5305

b. Corrective Action Planned:

The district will implement procedures to insure that expenditures are recorded and accounted for in the year incurred.

c. Anticipated Completion Date:

June 30, 2006

2005-2

- a. Name of Person(s) Responsible for Corrective Action:

Name: Vera V. Blue  
Title: Business Manager  
Phone#: (662) 827-2276

Name: Elizabeth Jordan  
Title: Payroll/Personnel/Bookkeeper  
Phone#: (662) 827-2276

- b. Corrective Action Planned:

The district will insure that voluntary payroll deductions are authorized in writing by the district employee. The authorization will be maintained in the district's personnel files and will be made available for audit review.

- c. Anticipated Completion Date:

June 30, 2006

2005-3

- a. Name of Person Responsible for Corrective Action:

Name: Vera V. Blue  
Title: Business Manager  
Phone#: (662) 827-2276

Name: Elizabeth Jordan  
Title: Payroll/Bookkeeper  
Phone#: (662) 827-2276

Name: Roger Liddell  
Title: Principal  
Phone #: (662) 827-2228

- b. Corrective Action Planned:

The district will insure that all activity fund receipts are received, recorded in the general ledger, and submitted to the school board for review in a timely manner.

2005-4

c. Anticipated Completion Date:

June 30, 2006

a. Name of Contact Person Responsible for Corrective Action:

Name: Willie Amos  
Title: Superintendent  
Phone #: (662) 827-2276

Name: Vera V. Blue  
Title: Business Manager  
Phone#: (662) 827-5305

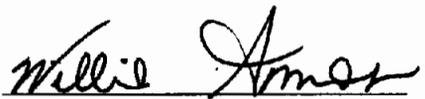
Name: Elizabeth Jordan  
Title: Payroll/Personnel/Bookkeeper  
Phone#: (662) 827-2276

b. Corrective Action Planned:

The district will implement procedures to insure that proper supporting documentation for time and attendance for employees with both federal and non federal responsibilities are properly utilized in processing payroll, properly maintained by the district and made available for audit.

c. Anticipated Completion Date:

June 30, 2006



Willie Amos, Superintendent  
Hollandale School District

**Hollandale School District**  
P. O. Box 128 101 W. Washington Street  
Hollandale, Mississippi  
*Willie Amos, Superintendent*



**Jobana Frey,**  
Associate Superintendent

Telephone (601) 827-2276  
Fax (601) 827-5261

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Financial and Compliance Audit Division**

As required by Section \_\_\_\_\_, 315 (b) of OMB Circular A-133, the Hollandale School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2005:

**Finding**  
2004-7

**Status**

The district had no activity in the School Renovation Program during the fiscal year ended June 30, 2005. However, the District will ensure compliance with the Davis-Bacon Act and the suspension and debarment requirements in the future.

2004-8

Corrective action was taken.

2004-9

Corrective action was taken.

Sincerely,

Willie Amos  
Superintendent