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HOLLANDALE SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2007**



Day CERTIFIED PUBLIC ACCOUNTANT
P. O. Box 547 • Canton, MS 39046
(601) 859-0474 • Fax (601) 859-0457

HOLLANDALE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007

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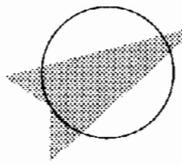
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HOLLANDALE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

HOLLANDALE SCHOOL DISTRICT

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Day CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 547 • Canton, MS 39046
(601) 859-0474 • Fax (601) 859-0457

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 accompanying 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, 2007, 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.

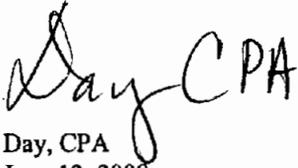
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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, 2007, 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 June 12, 2008, 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 accompanying 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
June 12, 2008

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, 2007

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, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic 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.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$258,643, which represents an 8% increase from fiscal year 2006.
- General revenues accounted for \$6,190,123 in revenue, or 63% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,640,002, or 37% of total revenues.
- The District had \$9,571,377 in expenses; only \$3,640,002 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,190,123 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,686,985 in revenues and \$5,622,616 in expenditures. After net other financing uses of \$32,468, the net change in fund balance for the General Fund was an increase of \$31,901 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$81,830.
- Long-term debt decreased by \$377,503.

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.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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.

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*. Information is presented separately in the governmental fund balance sheet and in the governmental fund

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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 have 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 a schedule of instructional, administrative and other expenditures for governmental funds is also included in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,605,817 as of June 30, 2007.

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. \$1,656,569 of the District's net assets (46%) 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. \$947,036 of the District's net assets (26%) 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 16th section investment purposes. \$1,002,212 of the District's net assets (28%) reflects its unrestricted net assets.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and 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, 2007 and comparative data for the fiscal year ended June 30, 2006.

	Net Assets		Percentage
	June 30, 2007	June 30, 2006	Change
Current assets	\$ 2,061,220	\$ 2,127,000	(3.0) %
Other assets	25,177	25,177	0.0 %
Capital assets, net	<u>2,883,658</u>	<u>2,965,488</u>	(2.8) %
Total assets	<u>4,970,055</u>	<u>5,117,665</u>	(2.9) %
Current liabilities	75,091	103,841	(27.7) %
Long-term debt outstanding	<u>1,289,147</u>	<u>1,666,650</u>	(22.7) %
Total liabilities	<u>1,364,238</u>	<u>1,770,491</u>	(22.7) %
Net assets:			
Invested in capital assets, net of related debt	1,656,569	1,354,984	22.3 %
Restricted	947,036	1,021,879	(7.3) %
Unrestricted	<u>1,002,212</u>	<u>970,311</u>	(3.3) %
Total net assets	<u>\$ 3,605,817</u>	<u>3,347,174</u>	7.7 %

The following are significant current year transactions that have had an impact on the Statement of Net 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 reduction of long-term debt related to the capital assets.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$9,830,125. The total cost of all programs and services was \$9,571,377. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 69,464	\$ 116,233	(40.2) %
Operating grants and contributions	3,570,538	3,884,001	(8.1) %
General revenues:			
Property taxes	1,145,898	1,173,569	(2.4) %
Grants and contributions not restricted	4,808,492	4,706,956	2.2 %
Other	<u>235,733</u>	<u>331,926</u>	(29.0) %
Total revenues	<u>9,830,125</u>	<u>10,212,685</u>	(3.75) %
Expenses:			
Instruction	5,467,405	4,990,541	9.6 %
Support services	3,415,934	4,060,876	(15.9) %
Non-instructional	596,260	594,649	(0.3) %
Sixteenth section	10,925	4,018	171.9 %
Interest and other expenses on long-term liabilities	<u>80,853</u>	<u>102,746</u>	(21.3) %
Total expenses	<u>9,571,377</u>	<u>9,752,830</u>	(1.9) %
Increase (Decrease) in net assets	258,748	459,855	(43.7) %
Net Assets, July 1	3,347,174	2,887,319	15.9 %
Prior Period Adjustments	<u>(105)</u>	<u>0</u>	
Net Assets, Restated, July 1	<u>3,347,069</u>	<u>2,887,319</u>	15.9 %
Net Assets, June 30	<u>\$3,605,817</u>	<u>\$ 3,347,174</u>	7.7 %

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 due primarily to a decrease in funds related to various operating grants and contributions, including Title I, E2T2 Ed Tech, Special Education and Delta Horizon funds.
- Support services expenses decreased from the previous fiscal year due primarily to a decrease in attorney fees, utilities, the cost of property insurance, and travel costs.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. 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.

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>2007</u>		<u>2006</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 5,467,405	\$ (3,636,574)	\$ 4,990,541	\$ (3,365,931)
Support services	3,415,934	(2,167,484)	4,060,876	(2,256,220)
Non-instructional	596,260	(35,539)	594,649	(26,347)
Sixteenth section	10,925	(10,925)	4,018	(1,352)
Interest and other expenses on long-term liabilities	<u>80,853</u>	<u>(80,853)</u>	<u>102,746</u>	<u>(102,746)</u>
Total expenses	<u>\$ 9,571,377</u>	<u>\$ (5,931,375)</u>	<u>\$ 9,752,830</u>	<u>\$ (5,752,596)</u>

- The net cost of governmental activities for fiscal year 2007 in the amount of \$5,931,375 was financed by general revenue, which is made up of primarily taxes of \$1,145,898 and state revenue of \$4,710,224.
- Investment earnings accounted for \$64,822 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, 2007, its governmental funds reported a combined fund balance of \$2,021,297. The net change in fund balance for the fiscal year was a decrease of \$44,751. \$1,330,238, or 66%, 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 fund balance of \$691,059, or 34%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

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 an increase of \$31,901. The net change in fund balance for the Early Head Start Fund for the fiscal year was a decrease of \$4,406. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$72,246.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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 state sources in the General Fund were decreased to reflect the decrease in state funds received during the fiscal year resulting from a decrease in average daily attendance (ADA).
- Budgeted amounts for support services expenditures in the General Fund were decreased primarily to reflect a decrease in attorney fees, utilities, the cost of property insurance and travel costs.
- Budgeted amounts for revenue from local and federal sources and instruction and support services expenditures in the Early Head Start Fund were increased to reflect actual revenue received and expenditures incurred during the fiscal year. The amounts originally budgeted were understated.
- Budgeted revisions were made during the fiscal year to account for revenues and expenditures in the Americorps Youthbuild Fund and Youthbuild USA Grant Fund. These grants were not included in the original budget because the grants were approved and funds were received after the original budget was approved.

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, 2007, the District's total capital assets, before depreciation, were \$4,651,561, including land, buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$35,716 from the previous year. Total depreciation expense for the year was \$158,348. Total accumulated depreciation as of June 30, 2007 was \$1,767,903, resulting in total net capital assets of \$2,883,658.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 109,178	\$ 109,178	0.0 %
Buildings	2,397,970	2,454,126	(2.3) %
Mobile equipment	228,098	276,141	(17.4) %
Furniture and equipment	<u>148,412</u>	<u>126,043</u>	17.7 %
Total	<u>\$ 2,883,658</u>	<u>\$ 2,965,488</u>	(2.8) %

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Debt Administration. At June 30, 2007, the District had \$1,289,147 in general and limited obligation bonds and other long-term debt outstanding, of which \$406,416 is due within one year. During the fiscal year, the District made principal payments in the amount of \$383,415 on existing long-term debt.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
General obligation bonds payable	\$ 185,000	\$ 360,000	(48.6) %
Limited obligation bonds payable	865,000	1,010,000	(14.4) %
Three mill notes payable	128,000	180,000	(28.9) %
Other loans payable	49,089	60,504	(18.9) %
Compensated absences payable	<u>62,058</u>	<u>56,146</u>	10.5 %
Total	<u>\$ 1,289,147</u>	<u>\$ 1,666,650</u>	(22.7) %

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. In addition, 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.

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, 2007

Exhibit A

	Primary Government Governmental Activities
	<u> </u>
Assets	
Cash and cash equivalents	\$ 1,444,391
Investments	92,738
Due from other governments	511,097
Inventories and prepaid items	12,994
Restricted assets	25,177
Capital assets, not being depreciated:	
Land	109,178
Capital assets, net of accumulated depreciation:	
Buildings	2,397,970
Mobile equipment	228,098
Furniture and equipment	148,412
Total Assets	\$ <u>4,970,055</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 39,598
Unearned revenue	25,502
Interest payable on long-term liabilities	9,991
Long-term liabilities, due within one year	
Capital related liabilities	406,416
Long-term liabilities, due beyond one year	
Capital related liabilities	820,673
Non-capital related liabilities	62,058
Total Liabilities	\$ <u>1,364,238</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 1,656,569
Restricted net assets:	
Expendable:	
School - based activities	278,962
Debt service	392,491
Capital improvements	205,798
Forestry improvements	15,817
Unemployment benefits	28,791
Non-expendable:	
Sixteenth section	25,177
Unrestricted	1,002,212
Total Net Assets	\$ <u>3,605,817</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, 2007

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	
Primary Government:				
Governmental Activities:				
Instruction	\$ 5,467,405	50,147	1,780,684	(3,636,574)
Support services	3,415,934		1,248,450	(2,167,484)
Non-instructional	596,260	19,317	541,404	(35,539)
Sixteenth section	10,925			(10,925)
Interest on long-term liabilities	80,853			(80,853)
Total governmental activities	\$ 9,571,377	69,464	3,570,538	(5,931,375)

General Revenues:

Taxes:

General purpose levies	916,824
Debt purpose levies	202,939
Gaming	26,135

Unrestricted grants and contributions:

State	4,710,224
Federal	98,268
Unrestricted investment earnings	64,822
Sixteenth section sources	124,153
Other	46,758

Total General Revenues 6,190,123

Change in Net Assets 258,748

Net Assets - Beginning 3,347,174

Prior Period Adjustments (105)

Net Assets - Beginning- Restated 3,347,069

Net Assets - Ending \$ 3,605,817

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

HOLLANDALE SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Early Head Start	Americorp Youthbuild	Youthbuild USA	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 650,228				819,340	1,469,568
Investments					92,738	92,738
Due from other governments	65,081	76,348	44,515	95,328	229,826	511,098
Due from other funds	318,624				4,463	323,087
Inventories and prepaid items					12,994	12,994
Total Assets	\$ 1,033,933	76,348	44,515	95,328	1,159,361	2,409,485
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 28,748	824		364	9,663	39,599
Due to other funds	2,973	75,524	44,515	94,964	105,111	323,087
Unearned revenue					25,502	25,502
Total Liabilities	31,721	76,348	44,515	95,328	140,276	388,188
Fund Balances:						
Reserved for:						
Inventory					12,994	12,994
Capital Projects funds					205,798	205,798
Debt Service funds					402,482	402,482
Unemployment benefits					28,791	28,791
Forestry improvements					15,817	15,817
Permanent funds					25,177	25,177
Unreserved:						
Undesignated, reported in:						
General fund	1,002,212					1,002,212
Special Revenue funds					328,026	328,026
Total Fund Balances	1,002,212	-	-	-	1,019,085	2,021,297
Total Liabilities and Fund Balances	\$ 1,033,933	76,348	44,515	95,328	1,159,361	2,409,485

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, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,021,297
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 \$1,767,903.	2,883,658
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,289,147)
3 Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(9,991)
Total Net Assets - Governmental Activities	<u>\$ 3,605,817</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, 2007

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Early Head Start	Americorp Youthbuild	Youthbuild USA		
Revenues:						
Local sources	\$ 1,055,382	161		7,404	263,855	1,326,802
State sources	4,414,164				736,417	5,150,581
Federal sources	217,439	387,618	44,515	201,609	2,377,268	3,228,449
Sixteenth section sources					124,153	124,153
Total Revenues	5,686,985	387,779	44,515	209,013	3,501,693	9,829,985
Expenditures:						
Instruction	3,533,653	164,596	44,515	177,455	1,525,674	5,445,893
Support services	2,077,548	220,297		32,484	1,037,721	3,368,050
Noninstructional services					570,714	570,714
Sixteenth section					10,925	10,925
Debt service:						
Principal	11,415				372,000	383,415
Interest					82,966	82,966
Other					1,702	1,702
Total Expenditures	5,622,616	384,893	44,515	209,939	3,601,702	9,863,665
Excess (Deficiency) of Revenues Over Expenditures	64,369	2,886	-	(926)	(100,009)	(33,680)
Other Financing Sources (Uses):						
Operating transfers in	231,326			926	309,367	541,619
Other financing sources					141	141
Operating transfers out	(263,794)	(7,292)			(270,533)	(541,619)
Other financing uses					(11,212)	(11,212)
Total Other Financing Sources (Uses)	(32,468)	(7,292)	-	926	27,763	(11,071)
Net Change in Fund Balances	31,901	(4,406)	-	-	(72,246)	(44,751)
Fund Balances:						
July 1, 2006	970,311	4,406	-	-	1,087,425	2,062,142
Increase in reserve for inventory					3,906	3,906
June 30, 2007	\$ 1,002,212	-	-	-	1,019,085	2,021,297

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, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (44,751)
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 assets purchased amounted to \$80,000 and the depreciation expense amounted to \$158,348.	(78,348)
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.	383,415
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.	3,906
4 Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement Activities, net of proceeds.	(3,377)
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	(5,912)
Accrued interest on bonds and notes payable	3,815
Change in Net Assets of Governmental Activities	<u>\$ 258,748</u>

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

HOLLANDALE SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 347,570
	<u> </u>
Total Assets	\$ <u>347,570</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 343,055
Due to student clubs	<u>4,515</u>
Total Liabilities	\$ <u>347,570</u>

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, 2007

(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. 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, 2007

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 as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. 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 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.

Early Head Start Fund - This is a special revenue fund that accounts for revenue received from federal sources and expenditures incurred to provide quality services to infants, toddlers, families and pregnant females.

Americorps Youthbuild Fund - This is a special revenue fund that accounts for revenue received from federal sources and expenditures incurred to assist at risk youths ages 16 - 24 who are interested in obtaining their GED and/or a skill in carpentry.

Youthbuild USA Grant Fund - This is a special revenue fund that accounts for revenue received from federal sources and expenditures incurred to assist at risk youths ages 16 - 24 who are interested in obtaining their GED and/or a skill in carpentry.

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, 2007

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 broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* 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 three 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 three months when acquired.

Investments are reported at fair value.

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, 2007

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 acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

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. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. 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.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

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.

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.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

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.

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 the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

(2) Cash and Cash Equivalents, and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' 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.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,469,568 and \$347,570, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents -- \$1,444,391 and restricted assets -- \$25,177. The restricted assets of \$25,177 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 \$2,286,483.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Hancock Horizon U. S. Treasury Securities Mmkt Fund	A	Less than 1 year	\$ 92,738
Total			\$ <u>92,738</u>

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.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

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 the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any 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, 2007, the district had the following investments:

Issuer	Fair Value	% of Total Investment
Hancock Bank	\$ 92,738	100%
Total	\$ 92,738	100%

(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	\$ 318,624	2,973
Early Head Start		75,524
Americorp Youthbuild		44,515
Youthbuild USA		94,964
Other Governmental Funds	4,463	105,111
Total Funds	\$ 323,087	323,087

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

B. Transfers In/Out.

	Transfer In	Transfers Out
Governmental funds:		
General fund	\$ 231,326	263,794
Youthbuild USA	926	
Early Head Start		7,292
Other Governmental Funds	309,367	270,533
Total Funds	\$ 541,619	541,619

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

The transfers were primarily for the following: indirect cost transfers, textbooks and transportation transfers into Education Enhancement Funds, vocational and special educational expenditure transfers and debt service transfers.

(4) Capital Assets.

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

	Balance 7/1/2006	Additions	Retirements	Adjustments	Balance 6/30/2007
<u>Non-depreciable capital assets:</u>					
Land	109,178				109,178
Total non-depreciable capital assets	<u>109,178</u>	-	-		<u>109,178</u>
<u>Depreciable capital assets:</u>					
Buildings	3,397,556				3,397,556
Mobile equipment	727,585		(33,789)		693,796
Furniture and equipment	381,526	80,000		(10,495)	451,031
Total depreciable capital assets	<u>4,506,667</u>	<u>80,000</u>	<u>(33,789)</u>	<u>(10,495)</u>	<u>4,542,383</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(943,430)	(56,156)			(999,586)
Mobile equipment	(451,444)	(44,666)	30,412		(465,698)
Furniture and equipment	255,483)	(57,526)		10,390	(302,619)
Total accumulated depreciation	<u>(1,650,357)</u>	<u>(158,348)</u>	<u>30,412</u>	<u>10,390</u>	<u>(1,767,903)</u>
Total depreciable capital assets, net	<u>2,856,310</u>	<u>(78,348)</u>	<u>(3,377)</u>	<u>(105)</u>	<u>2,774,480</u>
Governmental activities capital assets, net	<u>2,965,488</u>	<u>(78,348)</u>	<u>(3,377)</u>	<u>(105)</u>	<u>2,883,658</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 86,456
Support services	46,111
Non-instructional	25,781
Total depreciation expense	<u>\$ 158,348</u>

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

(5) Long-term liabilities.

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

	Balance 7/1/2006	Additions	Reductions	Balance 6/30/2007	Amounts due within one year
A. General obligation bonds payable	\$ 360,000		175,000	185,000	185,000
B. Limited obligation bonds payable	1,010,000		145,000	865,000	155,000
C. Three mill notes payable	180,000		52,000	128,000	55,000
D. Other loans payable	60,504		11,415	49,089	11,416
E. Compensated absences payable	56,146	5,912		62,058	-
Total	\$ 1,666,650	5,912	383,415	1,289,147	406,416

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	185,000
Total				\$ 2,000,000	185,000

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

Year Ending June 30	Principal	Interest	Total
2008	185,000	14,800	199,800
Total	\$ 185,000	14,800	199,800

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, 2007, the amount of outstanding bonded indebtedness was equal to 0.8% of property assessments as of October 1, 2006. This debt will be retired from the debt service fund.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

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	865,000
Total				\$ 1,750,000	865,000

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 155,000	38,427	193,427
2009	160,000	31,763	191,763
2010	170,000	24,762	194,762
2011	175,000	17,325	192,325
2012	185,000	9,450	194,450
2013	20,000	940	20,940
Total	\$ 865,000	122,667	987,667

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.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2000 Promissory Note	5.32%	05-15-00	05-01-10	216,000	128,000
Total				\$ 216,000	128,000

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 55,000	6,810	61,810
2009	58,000	3,884	61,884
2010	15,000	798	15,798
Total	\$ 128,000	11,492	139,492

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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos Loan	0.00%	04-17-94	05-17-12	\$ 205,478	49,089
Total				\$ 205,478	49,089

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 11,416	-	11,415
2009	11,416	-	11,416
2010	11,416	-	11,416
2011	11,415	-	11,416
2012	3,426	-	3,426
Total	\$ 49,089	-	49,089

This debt will be retired from the general fund.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

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 rate for fiscal year ending June 30, 2007 was 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$561,108, \$514,358, and \$469,634, respectively, which equaled the required contributions for each year.

(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		Amount
June 30		
2008	\$	114,786
2009		114,786
2010		73,033
Total	\$	<u>302,605</u>

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

(8) 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 121 school districts and one community college 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 \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. 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.

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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,145,138	1,058,355	1,055,382	(86,783)	(2,973)
State sources	4,688,044	4,414,164	4,414,164	(273,880)	-
Federal sources		47,009	217,439	47,009	170,430
Sixteenth section sources	37			(37)	-
Total Revenues	5,833,219	5,519,528	5,686,985	(313,691)	167,457
Expenditures:					
Instruction	3,407,120	3,388,873	3,533,653	18,247	(144,780)
Support services	2,317,774	2,042,639	2,077,548	275,135	(34,909)
Noninstructional services				-	-
Debt service:					
Principal	11,416	11,415	11,415	1	-
Interest					
Total Expenditures	5,736,310	5,442,927	5,622,616	293,383	(179,689)
Excess (Deficiency) of Revenues Over Expenditures	96,909	76,601	64,369	(20,308)	(12,232)
Other Financing Sources (Uses):					
Operating transfers in	290,807	231,326	231,326	(59,481)	-
Operating transfers out	(387,898)	(263,794)	(263,794)	124,104	-
Total Other Financing Sources (Uses)	(97,091)	(32,468)	(32,468)	64,623	-
Net Change in Fund Balances	(182)	44,133	31,901	44,315	(12,232)
Fund Balances:					
July 1, 2006	930,204	930,204	970,311	-	40,107
June 30, 2007	\$ 930,022	974,337	1,002,212	44,315	27,875

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

HOLLANDALE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Early Head Start
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	161	161	161	
Federal sources	294,526	387,618	387,618	93,092	-
Total Revenues	<u>294,526</u>	<u>387,779</u>	<u>387,779</u>	<u>93,253</u>	<u>-</u>
Expenditures:					
Instruction	111,834	164,596	164,596	(52,762)	
Support services	181,592	220,297	220,297	(38,705)	-
Total Expenditures	<u>293,426</u>	<u>384,893</u>	<u>384,893</u>	<u>(91,467)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,100</u>	<u>2,886</u>	<u>2,886</u>	<u>1,786</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(1,100)	(7,292)	(7,292)	(6,192)	-
Total Other Financing Sources (Uses)	<u>(1,100)</u>	<u>(7,292)</u>	<u>(7,292)</u>	<u>(6,192)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(4,406)</u>	<u>(4,406)</u>	<u>(4,406)</u>	<u>-</u>
Fund Balances:					
July 1, 2006			<u>4,406</u>		
June 30, 2007			\$ <u>-</u>		

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

HOLLANDALE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Americorp Youthbuild
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	44,515	44,515	44,515	-
Total Revenues	<u>-</u>	<u>44,515</u>	<u>44,515</u>	<u>44,515</u>	<u>-</u>
Expenditures:					
Instruction	-	44,515	44,515	(44,515)	-
Total Expenditures	<u>-</u>	<u>44,515</u>	<u>44,515</u>	<u>(44,515)</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, 2006			<u> </u>		
June 30, 2007			\$ <u> </u>		

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

HOLLANDALE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Youthbuild USA
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	7,404	7,404	7,404	-
State sources		201,609	201,609	201,609	-
		-			
Total Revenues		209,013	209,013	209,013	-
Expenditures:					
Instruction		-	177,455		(177,455)
Support services		209,939	32,484	(209,939)	177,455
Total Expenditures		209,939	209,939	(209,939)	-
Excess (Deficiency) of Revenues Over Expenditures		(926)	(926)	(926)	-
Other Financing Sources (Uses):					
Operating transfers in		926	926	926	-
Total Other Financing Sources (Uses)		926	926	926	-
Net Change in Fund Balances		-	-	-	-
Fund Balances:					
July 1, 2006			-		
June 30, 2007	\$		-		

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, 2007

(1) Basis of Presentation.

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

(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 October 15. 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, 2007

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	\$ 32,438
Child nutrition cluster:		
School breakfast program	10.553	148,957
National school lunch program	10.555	378,465
Summer food service program for children	10.559	35,082
Total Child Nutrition Cluster		562,504
Child and adult care food program	10.558	15,842
Total U.S. Department of Agriculture		610,784
<u>U.S. Department of Housing and Urban Development</u>		
Direct programs:		
Opportunities for youth - youthbuild program	14.243	246,124
Total U.S. Department of Housing and Urban Development		246,124
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	170,430
Total Federal Communications Commission		170,430
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title 1-grants to local educational agencies	84.010	756,282
Vocational education - basic grants to states	84.048	23,930
Safe and drug-free schools and communities- state grants	84.186	14,203
Education for homeless children and youth	84.196	16,592
Even start - state educational agencies	84.213	267,228
State grants for innovative programs	84.298	989
Education technology state grants	84.318	19,624
Comprehensive school reform demonstration	84.332	11,161
Gaining early awareness and readiness for undergraduate programs	84.334	6,863
Teacher induction program	84.336	120
Reading first state grants	84.357	269,405
Rural education	84.358	11,053
Improving teacher quality - state grant	84.367	140,189
Grants for state assessments and related activities	84.369	5,034
Hurricane Education Recovery	84.938	573
Total		1,543,246
Special education cluster:		
Special education - grants to states	84.027	239,848
Special education - preschool grants	84.173	17,091
Total		256,939
Total U.S. Department of Education		1,800,185
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Head Start	93.600	392,022
Total		392,022
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	46,889
Total		46,889
Total U.S. Department of Health and Human Services		438,911
Corporation for National and Community Service		
Learn and serve America - school and community based programs	94.004	8,496
Total Corporation for National and Community Service		8,496
Total for All Federal Awards		\$ 3,274,930

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditures amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The balance outstanding at June 30, 2007 of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$49,089.

Hollandale School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For The Year Ended June 30, 2007

Expenditures	Total	Instruction and Other Student Instructional	General Administration	School Administrative	Other
Salaries and fringe benefits	\$ 7,118,825	5,447,174	434,014	530,469	707,168
Other	2,744,840	1,077,356	143,191	15,221	1,509,072
Total	\$ 9,863,665	6,524,530	577,205	545,690	2,216,240
 Total number of students *	 818				
 Cost per student \$	 12,058	 7,976	 706	 667	 2,709

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

Instruction and Other Student Instructional Expenditures - 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, 2100, & 2200 functional codes)

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

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

Other - includes all expenditure functions not included in Instruction or Administration Categories

* include the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

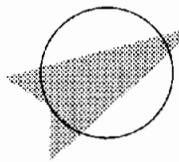
Include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

HOLLANDALE SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HOLLANDALE SCHOOL DISTRICT

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Day CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 547 • Canton, MS 39046
(601) 859-0474 • Fax (601) 859-0457

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, 2007, which collectively comprise the Hollandale School District's basic financial statements and have issued my report thereon dated June 12, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in the internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding *2007-1* through *2007-3* to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider Finding 2007-1 to be a material weakness.

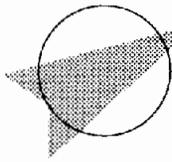
Compliance and Others Matters

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 certain immaterial instances of noncompliance that I have reported to management of the school district in a separate letter dated June 12, 2008, 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
June 12, 2008



Day CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 547 • Canton, MS 39046
(601) 859-0474 • Fax (601) 859-0457

Diane Shaw Day, CPA

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, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

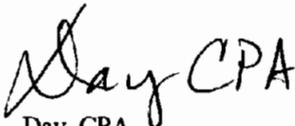
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-4 and 2007-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Hollandale School District's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Hollandale School District's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the school board and management, others within the entity, 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.

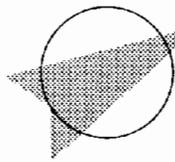

Day, CPA
June 12, 2008

HOLLANDALE SCHOOL DISTRICT

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

HOLLANDALE SCHOOL DISTRICT

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Day CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 547 • Canton, MS 39046
(601) 859-0474 • Fax (601) 859-0457

Diane Shaw Day, CPA

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, 2007, which collectively comprise the Hollandale School District's basic financial statements and have issued my report thereon dated June 12, 2008. 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)(a), 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 no instances of noncompliance. The district reported \$19,715 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed the following instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in finding number 1 below.

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 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.

1. FINDING

Per review of the financial statements and other supporting documentation, I noted that the district recorded a payment to the Mississippi Department of Education as an "Other Debt Service Payment". This payment, totaling \$11,161.41, actually represented a repayment to the State for funds drawn down for a Federal program in a prior year in excess of the expenditures incurred. As the period of availability was noted as having expired during a previous year's audit, the district was required to repay the funds to the State. The payment should have been coded to "Other Financing Uses". This represents the incorrect functional coding of the expenditure by the district.

RECOMMENDATION

The district should comply with Section 37-9-18(3)(b), Miss. Code Ann. (1972), and insure the correct and appropriate coding of expenditures at the function level.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-9-18(3)(b), Miss. Code Ann. (1972), to insure the correct and appropriate coding of expenditures at the function level.

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.


Day, CPA
June 12, 2008

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, 2007

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 identified? | Yes |
| b. | Significant deficiencies 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? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 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: Title I Grants to Local Educational Agencies
CFDA # 84.010 | |
| c. | Program name: Early Head Start
CFDA # 93.600 | |
| 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, 2007

Section 2: Financial Statement Findings

Material weakness

2007-1 Finding

As stated in the prior year, the district acquired equipment and incurred expenditures for telephone services during the fiscal year ended June 30, 2007 that were primarily 10% funded by the district and 90% funded by the federal government under its E-rate Program. In recording these transactions, the expenditures and revenues of the district were significantly understated. Audit adjustments were made to correct these misstatements.

Recommendation

The district should implement procedures to insure that the total cost of equipment and telephone expenditures are accounted for in a manner consistent with generally accepted accounting principles and other authoritative guidelines.

Significant deficiencies not considered to be material weaknesses

2007-2 Finding

In my test of revenue, I noted several errors in the coding of funds received by the district. Adjustments were made to correct these errors.

Recommendation

The district should implement procedures to insure that all receipts of the district are properly recorded.

2007-3 Finding

In my test of beginning fund balances, I noted that a prior year audit adjustment, approved by the district, was not recorded per the district's financial statements. An adjustment was made to correct this error.

Recommendation

The district should implement procedures to insure that all audit adjustments, accepted and approved by the district, are properly recorded in the financial statements of the district.

HOLLANDALE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 3: Federal Award Findings and Questioned Costs

Significant deficiencies not considered to be material weaknesses

2007-4 Finding

Compliance Requirements: Allowable Costs/ Cost Principles

Program: Child Nutrition Cluster Program –
CFDA # 10.553, 10.555 and 10.559;
U. S. Department of Agriculture;
Mississippi Department of Education.

Per my review of the Food Service program, I noted that the transfer from the Food Service program to the District Maintenance fund to cover indirect cost exceeded the allowable amount by \$3,227.53.

Recommendation

The district should implement procedures to insure that expenditures charged to the federal program to cover the indirect cost of the program are limited to the amount allowed by the federal program.

2007-5 Finding

Compliance Requirements: Reporting

Program: Early Head Start Program –
CFDA # 93.600;
U. S. Department of Health and Human Services;
Mississippi Department of Health and Human Services

The district is required to report the financial status of the Early Head Start Program by properly filing Form SF-269. It appears that this report was filed by the district, but it did not agree with the financial statements of the district as of June 30, 2007. In addition, the district did not provide a reconciliation of Form SF-269 to the financial statements of the district as of June 30, 2007. The following discrepancy was noted:

Total expenditures per the district's financial statement	\$ 392,185
Total expenditures per Form SF-269	<u>373,354</u>
Difference	\$ <u>18,831</u>

Recommendation

The district should implement procedures to insure that Form SF-269 agrees to, or is reconciled to, the financial statements of the Early Head Start Program of the district prior to submission of Form SF-269 to the Department of Health and Human Services.

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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, 2007:

Finding
2007-1

Corrective Action Plan Details

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

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

Name: Mark Beechem
Title: Technology Specialist
Phone: (662) 827-2276

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

Name: Peggy J. Adams
Title: Account Payable/Purchasing
Phone: (662) 827-5305

b. Corrective Action Planned

The district will implement procedures to insure that the total cost of equipment and telephone expenditures are accounted for in a manner consistent with generally

accepted accounting principles and other authoritative guidelines.

- c. Anticipated Completion Date:
June 30, 2008

2007-2

- 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/Bookkeeper
Phone: (662) 827-5305

- b. Corrective Action Planned:

The district will implement procedures to insure that all receipts of the district are properly coded and recorded.

- c. Anticipated Completion Date:
June 30, 2008

2007-3

- a. Name of Person Responsible for Corrective Action:

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

- b. Corrective Action Planned:

The district will implement procedures to ensure that all audit adjustments accepted and approved by the district are properly recorded in the financial statements of the district.

- c. Anticipated Completion Date:
June 30, 2008

2007-4

- a. Name of Contact Person Responsible for Corrective Action:

Name: Clara Adams
Title: Food Service Supervisor
Phone: (662) 827-2225

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

- b. Corrective Action Planned:

The district will implement procedures to ensure that expenditures charged to the federal program to cover the indirect cost of the program are limited to the amount allowed by the federal program. The district has paid the \$3,227.53 back to the Food Service Program.

- c. Anticipated Completion Date:
June 30, 2008

2007-5

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

Name: Howard R. Sanders
Title: Executive Director
Phone: (662) 827-5651

Name: Doris Thompson
Title: Director, Early Head Start
Phone: (662) 827-5651

Name: Ramona Love
Title: Administrative Assistant
Phone: (662) 827-5651

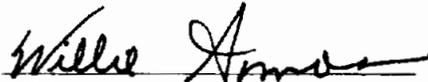
Name: Vera V. Blue
Title: Business Manager
Phone: (662) 827-2276

b. Corrective Action Planned:

The district will implement procedures to ensure that Form SF-269 agrees to or is reconciled to the financial statements of the Early Head Start Program of the district prior to submission of Form SF-269 to the Department of Health and Human Services.

c. Anticipated Completion Date:

June 30, 2008


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 of Federal Programs

Telephone (662) 827-2276
Fax (662) 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, 2007:

Finding
2006-4

Status
Corrective action was taken.

Sincerely,

Willie Amos
Superintendent

