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**HOLLANDALE SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2008**



TABLE OF CONTENTS

FINANCIAL AUDIT REPORT .....	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information .....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	5
FINANCIAL STATEMENTS .....	15
Statement of Net Assets .....	17
Statement of Activities .....	18
Balance Sheet - Governmental Funds .....	19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	20
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds .....	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	22
Statement of Fiduciary Assets and Liabilities .....	23
Notes to the Financial Statements .....	25
REQUIRED SUPPLEMENTARY INFORMATION .....	41
Budgetary Comparison Schedule for the General Fund .....	43
Budgetary Comparison Schedule for the Title I Fund .....	44
Budgetary Comparison Schedule for the Early Head Start Fund .....	45
Budgetary Comparison Schedule for the Youthbuild Grant Fund .....	46
Notes to the Required Supplemental Information .....	47
SUPPLEMENTAL INFORMATION .....	49
Schedule of Expenditures of Federal Awards .....	51
Schedule of Instructional, Administrative and Other Expenditures Governmental Funds .....	52
OTHER SUPPLEMENTAL INFORMATION .....	53
Statement of Revenues, Expenditures and Changes in Fund Balances- General Fund - Last Four Years .....	55
Statement of Revenues, Expenditures and Changes in Fund Balances- All Governmental Funds - Last Four Years .....	56
REPORTS ON COMPLIANCE AND INTERNAL CONTROL .....	57
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 .....	59
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 .....	61
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS ....	63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	69
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS .....	79

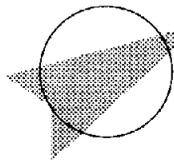


HOLLANDALE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

HOLLANDALE SCHOOL DISTRICT

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Diane Shaw Day, CPA

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

Superintendent and School Board  
Hollandale School District

I have audited the 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, 2008, 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 opinions.

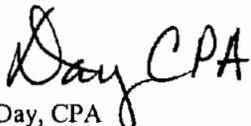
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollandale School District, as of June 30, 2008, and the respective 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 July 20, 2009, 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 (47) 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 basic 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.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.



Day, CPA  
July 20, 2009

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, 2008

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, 2008. 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 decreased \$12,362, which represents less than a 1% decrease from fiscal year 2007.
- General revenues accounted for \$6,217,380 in revenue, or 64% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,565,027, or 36% of total revenues.
- The District had \$9,794,769 in expenses; only \$3,565,027 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,217,380 and beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,692,419 in revenues and \$5,783,483 in expenditures. After net other financing uses of \$58,529, the net change in fund balance for the General Fund was a decrease of \$149,593 from the previous fiscal year. This decrease in fund balance is due primarily to an increase in support services expenditures as compared with the prior year although there was an insignificant increase in General Fund revenue from the prior fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$89,743 due primarily to the current year depreciation of the capital assets.
- Long-term debt decreased by \$402,980 due primarily to principal payments made during the fiscal year on existing long-term debt.

### **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.

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

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

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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 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 schedule 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.

Four year comparison statements of revenues, expenditures and changes in fund balances for the General Fund and all governmental funds are 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 \$3,593,455 as of June 30, 2008.

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. \$1,973,242 of the District's net assets (55%) reflects its investment in capital assets (e.g., land, buildings, mobile equipment and

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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. \$833,088 of the District's net assets (23%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. \$787,125 of the District's net assets (22%) reflects its unrestricted net assets.

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, 2008 and comparative data for the fiscal year ended June 30, 2007.

	Net Assets		Percentage
	June 30, 2008	June 30, 2007	Change
Current assets	\$ 1,727,244	\$ 2,061,220	(16.2) %
Other assets	25,177	25,177	0.0 %
Capital assets, net	2,793,915	2,883,658	(3.1) %
<b>Total assets</b>	<b>4,546,336</b>	<b>4,970,055</b>	<b>(8.5) %</b>
Current liabilities	66,714	75,091	(11.2) %
Long-term debt outstanding	886,167	1,289,147	(31.3) %
<b>Total liabilities</b>	<b>952,881</b>	<b>1,364,238</b>	<b>(30.2) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	1,973,242	1,656,569	19.1 %
Restricted	833,088	947,036	(12.0) %
Unrestricted	787,125	1,002,212	(21.5) %
<b>Total net assets</b>	<b>\$ 3,593,455</b>	<b>3,605,817</b>	<b>(0.3) %</b>

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

- Current assets decreased from the previous fiscal year due primarily to a decrease in cash and cash equivalents and amounts due from other governments.
- 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.

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

- Restricted net assets decreased from the previous fiscal year due primarily to a decrease in amounts restricted for debt service.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the decrease in the fund balance of the General Fund.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$9,782,407. The total cost of all programs and services was \$9,794,769. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 93,112	\$ 69,464	34.0 %
Operating grants and contributions	3,471,915	3,570,538	(2.8) %
General revenues:			
Property taxes	1,064,309	1,145,898	(7.1) %
Grants and contributions not restricted	4,788,664	4,808,492	(0.4) %
Other	<u>364,407</u>	<u>235,733</u>	54.6 %
<b>Total revenues</b>	<u>9,782,407</u>	<u>9,830,125</u>	(0.5) %
<b>Expenses:</b>			
Instruction	5,421,613	5,467,405	(0.8) %
Support services	3,662,493	3,415,934	7.2 %
Non-instructional	641,003	596,260	7.5 %
Sixteenth section	12,061	10,925	10.4 %
Interest and other expenses on long-term liabilities	<u>57,599</u>	<u>80,853</u>	(28.8) %
<b>Total expenses</b>	<u>9,794,769</u>	<u>9,571,377</u>	2.3 %
<b>Increase (Decrease) in net assets</b>	(12,362)	258,748	(104.8) %
<b>Net Assets, July 1</b>	3,605,817	3,347,174	7.7 %
<b>Prior Period Adjustments</b>	<u>-</u>	<u>(105)</u>	(100.0) %
<b>Net Assets, Restated, July 1</b>	<u>3,605,817</u>	<u>3,347,069</u>	7.7 %
<b>Net Assets, June 30</b>	<u>\$ 3,593,455</u>	<u>\$ 3,605,817</u>	(0.3) %

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007, 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

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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.

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 5,421,613	\$ (3,826,341)	\$ 5,467,405	\$ (3,636,574)
Support services	3,662,493	(2,293,432)	3,415,934	(2,167,484)
Non-instructional	641,003	(40,309)	596,260	(35,539)
Sixteenth section	12,061	(12,061)	10,925	(10,925)
Interest and other expenses on long-term liabilities	<u>57,599</u>	<u>(57,599)</u>	<u>80,853</u>	<u>(80,853)</u>
<b>Total expenses</b>	<u>\$ 9,794,769</u>	<u>\$ (6,229,742)</u>	<u>\$ 9,571,377</u>	<u>\$ (5,931,375)</u>

- The net cost of governmental activities for fiscal year 2008 in the amount of \$6,229,742 was financed mainly by general revenue, which is made up of primarily property taxes of \$1,064,309 and state revenue of \$4,628,364.
- Investment earnings accounted for \$35,310 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, 2008, its governmental funds reported a combined fund balance of \$1,691,639. The net change in fund balance for the fiscal year was a decrease of \$329,658 due primarily to an increase in support services expenditures related mainly to the purchase of a new school bus and an increase in transportation costs as compared with prior year, and a slight decrease in revenues overall as compared with prior year. \$1,130,940, or 67%, 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 \$560,599, or 33%, 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, ad valorem, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of \$149,593 due primarily to an increase in support services expenditures as compared with prior year. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$180,065 due primarily to the deficiency of revenues over expenditures in various funds.

**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 actual state sources received during the fiscal year. The amounts originally budgeted were overstated.
- Budgeted amounts for revenues and expenditures in the Title I Basic Fund and Early Head Start Fund were increased to reflect carryover funds that were not included in the original budget.
- Budget revisions were made during the fiscal year to account for revenues and expenditures in the Youthbuild Grant Fund. This grant was not included in the original budget because the grant was approved and the 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, 2008, the District's total capital assets, before depreciation, were \$4,685,503, including land, buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$33,942 from the previous year. During the fiscal year, the District purchased a new school bus and a server totaling \$75,942. The District also disposed of a school bus during the fiscal year. Total depreciation expense for the year was \$153,925. Total accumulated depreciation as of June 30, 2008 was \$1,891,588, resulting in total net capital assets of \$2,793,915.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 109,178	\$ 109,178	0.0 %
Buildings	2,341,814	2,397,970	(2.3) %
Mobile equipment	243,903	228,098	6.9 %
Furniture and equipment	<u>99,020</u>	<u>148,412</u>	(33.3) %
<b>Total</b>	<b><u>\$ 2,793,915</u></b>	<b><u>\$ 2,883,658</u></b>	<b>(3.1) %</b>

**HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Debt Administration.** At June 30, 2008, the District had \$886,167 in general and limited obligation bonds and other long-term debt outstanding, of which \$229,415 is due within one year. During the fiscal year, the District made principal payments in the amount of \$406,416 on existing long-term debt.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
General obligation bonds payable	\$ 0	\$ 185,000	(100.0) %
Limited obligation bonds payable	710,000	865,000	(17.9) %
Three mill notes payable	73,000	128,000	(43.0) %
Other loans payable	37,673	49,089	(23.3) %
Compensated absences payable	<u>65,494</u>	<u>62,058</u>	5.5 %
<b>Total</b>	<u>\$ 886,167</u>	<u>\$ 1,289,147</u>	(31.3) %

**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, 2008

Exhibit A

	<u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,178,979
Investments	102,129
Due from other governments	431,953
Inventories	14,183
Restricted assets	25,177
Capital assets, not being depreciated:	
Land	109,178
Capital assets, net of accumulated depreciation:	
Buildings	2,341,814
Mobile equipment	243,903
Furniture and equipment	<u>99,020</u>
Total Assets	<u>\$ 4,546,336</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 37,243
Unearned revenue	23,539
Interest payable on long-term liabilities	5,932
Long-term liabilities, due within one year	
Capital related liabilities	229,415
Long-term liabilities, due beyond one year	
Capital related liabilities	591,258
Non-capital related liabilities	<u>65,494</u>
Total Liabilities	<u>\$ 952,881</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	\$ 1,973,242
Restricted net assets:	
Expendable:	
School - based activities	329,122
Debt service	222,553
Capital improvements	211,344
Forestry improvements	15,817
Unemployment benefits	29,075
Non-expendable:	
Sixteenth section	25,177
Unrestricted	<u>787,125</u>
Total Net Assets	<u>\$ 3,593,455</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, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 5,421,613	38,329	1,556,943	(3,826,341)
Support services	3,662,493		1,369,061	(2,293,432)
Non-instructional	641,003	54,783	545,911	(40,309)
Sixteenth section	12,061			(12,061)
Interest on long-term liabilities	57,599			(57,599)
Total governmental activities	\$ 9,794,769	93,112	3,471,915	(6,229,742)

General Revenues:

Taxes:	
General purpose levies	1,035,876
Debt purpose levies	28,433
Unrestricted grants and contributions:	
State	4,628,364
Federal	160,300
Unrestricted investment earnings	35,310
Sixteenth section sources	182,848
Other	146,249
Total General Revenues	6,217,380
Change in Net Assets	(12,362)
Net Assets - Beginning	3,605,817
Net Assets - Ending	\$ 3,593,455

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

HOLLANDALE SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2008

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I	Early Head Start	Youthbuild Grant	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 562,016				642,140	1,204,156
Investments					102,129	102,129
Due from other governments	56,222	85,629	64,978	71,939	153,185	431,953
Due from other funds	261,752				4,334	266,086
Inventories					14,183	14,183
<b>Total Assets</b>	<b>\$ 879,990</b>	<b>85,629</b>	<b>64,978</b>	<b>71,939</b>	<b>915,971</b>	<b>2,018,507</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 27,371	474	1,011		8,387	37,243
Due to other funds		85,155	63,967	71,939	45,025	266,086
Unearned revenue					23,539	23,539
<b>Total Liabilities</b>	<b>27,371</b>	<b>85,629</b>	<b>64,978</b>	<b>71,939</b>	<b>76,951</b>	<b>326,868</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Inventory					14,183	14,183
Ad valorem	36,618					36,618
Capital Projects funds					211,344	211,344
Debt Service funds					228,485	228,485
Unemployment benefits					29,075	29,075
Forestry improvements					15,817	15,817
Permanent funds					25,177	25,177
<b>Unreserved:</b>						
<b>Undesignated, reported in:</b>						
General fund	816,001					816,001
Special Revenue funds					314,939	314,939
<b>Total Fund Balances</b>	<b>852,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>839,020</b>	<b>1,691,639</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 879,990</b>	<b>85,629</b>	<b>64,978</b>	<b>71,939</b>	<b>915,971</b>	<b>2,018,507</b>

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

HOLLANDALE SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,691,639
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 \$1,891,588.	2,793,915
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(886,167)
3 Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(5,932)
Total Net Assets - Governmental Activities	<u>\$ 3,593,455</u>

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

HOLLANDALE SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I	Early Head Start	Youthbuild Grant		
<b>Revenues:</b>						
Local sources	\$ 1,177,752	1,877	613	50,638	108,100	1,338,980
State sources	4,365,589				683,230	5,048,819
Federal sources	149,078	859,227	407,547	136,939	1,658,969	3,211,760
Sixteenth section sources					182,848	182,848
<b>Total Revenues</b>	<b>5,692,419</b>	<b>861,104</b>	<b>408,160</b>	<b>187,577</b>	<b>2,633,147</b>	<b>9,782,407</b>
<b>Expenditures:</b>						
Instruction	3,396,904	547,481	171,481	165,211	1,049,344	5,330,421
Support services	2,375,163	275,722	227,904	22,366	774,667	3,675,822
Noninstructional services		15,401			605,594	620,995
Sixteenth section					12,061	12,061
Debt service:						
Principal	11,416				395,000	406,416
Interest					60,036	60,036
Other					1,622	1,622
<b>Total Expenditures</b>	<b>5,783,483</b>	<b>838,604</b>	<b>399,385</b>	<b>187,577</b>	<b>2,898,324</b>	<b>10,107,373</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(91,064)</b>	<b>22,500</b>	<b>8,775</b>	<b>-</b>	<b>(265,177)</b>	<b>(324,966)</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	191,500				306,158	497,658
Operating transfers out	(244,148)	(22,500)	(8,775)		(222,235)	(497,658)
Other financing uses	(5,881)					(5,881)
<b>Total Other Financing Sources (Uses)</b>	<b>(58,529)</b>	<b>(22,500)</b>	<b>(8,775)</b>	<b>-</b>	<b>83,923</b>	<b>(5,881)</b>
<b>Net Change in Fund Balances</b>	<b>(149,593)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(181,254)</b>	<b>(330,847)</b>
<b>Fund Balances:</b>						
July 1, 2007	1,002,212	-	-	-	1,019,085	2,021,297
Increase in reserve for inventory					1,189	1,189
<b>June 30, 2008</b>	<b>\$ 852,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>839,020</b>	<b>1,691,639</b>

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

HOLLANDALE SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (330,847)
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 \$75,942 and the depreciation expense amounted to \$153,925.	(77,983)
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.	406,416
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.	1,189
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.	(11,760)
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	(3,436)
Accrued interest on bonds and notes payable	4,059
Change in Net Assets of Governmental Activities	<u>\$ (12,362)</u>

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

HOLLANDALE SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 352,384
	<hr/>
<b>Total Assets</b>	<b>\$ 352,384</b>
	<hr/>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 348,435
Due to student clubs	<u>3,949</u>
	<hr/>
<b>Total Liabilities</b>	<b>\$ 352,384</b>
	<hr/>

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 30,2008

(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.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined city ward.

For financial reporting purposes, Hollandale School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I Basic Fund – This is a special revenue fund that accounts for revenue received from federal sources and expenditures incurred related to the Title I grants to local educational agencies program.

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.

Youthbuild Grant Fund – This is a special revenue fund that accounts for revenue received from federal sources and expenditures incurred to assist at risk youth 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.

The school district also reports agency funds (fiduciary funds) which focus on assets and liabilities only.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

The District's agency funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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.

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.

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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

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.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

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 an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

4. 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). 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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the governmental activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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.

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 5 for details.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. 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.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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 the fund balance that is legally restricted for the payment of unemployment benefits.

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

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

Unreserved, undesignated -An account that represents the portion of fund balance that is expendable available financial resources.

(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 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 Deposit Insurance Corporation.

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), 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.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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 \$1,204,156 and \$352,384, respectively. The bank balance was \$2,065,406.

*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, 2008, none of the district's bank balance was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Rating	Maturities	Fair Value
Hancock Horizon U. S. Treasury Securities Mmkt Fund	A	Less than 1 year	\$ 102,129
Total			\$ 102,129

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of 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, 2008, 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, 2008, the district had the following investments:

Issuer	Fair Value	% of Total Investment
Hancock Bank	\$ 102,129	100%
Total	\$ 102,129	

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Basic Fund	\$ 85,155
	Early Head Start Fund	63,967
	Youthbuild Grant Fund	71,939
	Other governmental funds	40,691
Other governmental funds	Other governmental funds	<u>4,334</u>
Total		<u>\$266,086</u>

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

B. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$244,148
Title I Basic Fund	General Fund	22,500
Early Head Start Fund	Other governmental funds	8,775
Other governmental funds	General Fund	169,000
	Other governmental funds	<u>53,235</u>
Total		<u>\$497,658</u>

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) Restricted Assets.

The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

(5) Capital Assets.

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

	Balance 7/1/2007	Additions	Retirements	Balance 6/30/2008
<u>Non-depreciable capital assets:</u>				
Land	109,178			109,178
Total non-depreciable capital assets	109,178	-	-	109,178
<u>Depreciable capital assets:</u>				
Buildings	3,397,556			3,397,556
Mobile equipment	693,796	70,900	(42,000)	722,696
Furniture and equipment	451,031	5,042		456,073
Total depreciable capital assets	4,542,383	75,942	(42,000)	4,576,325
<u>Less accumulated depreciation for:</u>				
Buildings	(999,586)	(56,156)		(1,055,742)
Mobile equipment	(465,698)	(43,335)	30,240	(478,793)
Furniture and equipment	(302,619)	(54,434)		(357,053)
Total accumulated depreciation	(1,767,903)	(153,925)	30,240	(1,891,588)
Total depreciable capital assets, net	2,774,480	(77,983)	(11,760)	2,684,737
Governmental activities capital assets, net	2,883,658	(77,983)	(11,760)	2,793,915

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 88,120
Support services	44,780
Non-instructional	21,025
Total depreciation expense	\$ 153,925

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

(6) Long-term liabilities.

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

	Balance 7/1/2007	Additions	Reduction	Balance 6/30/2008	Amounts due within one year
A. General obligation bonds payable	\$ 185,000		185,000	-	-
B. Limited obligation bonds payable	865,000		155,000	710,000	160,000
C. Three mill notes payable	128,000		55,000	73,000	58,000
D. Other loans payable	49,089		11,416	37,673	11,415
E. Compensated absences payable	62,058	3,436		65,494	-
<b>Total</b>	<b>\$ 1,289,147</b>	<b>3,436</b>	<b>406,416</b>	<b>886,167</b>	<b>229,415</b>

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 were paid in full during the current fiscal year.

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	4.4%-4.7%	05-01-1998	05-01-2013	\$ 1,750,000	710,000
<b>Total</b>				<b>\$ 1,750,000</b>	<b>710,000</b>

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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

	Year Ending June 30	Principal	Interest	Total
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	\$	<u>710,000</u>	<u>84,240</u>	<u>794,240</u>

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

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%	05-15-2000	05-01-2010	216,000	73,000
Total				<u>\$ 216,000</u>	<u>73,000</u>

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

	Year Ending June 30	Principal	Interest	Total
2009	\$	58,000	3,884	61,884
2010		15,000	798	15,798
Total	\$	<u>73,000</u>	<u>4,682</u>	<u>77,682</u>

The three mill note is partially secured by the pledge of future EEF Buildings and Buses funds the district receives from the state of Mississippi. A portion of the debt each year is paid from property tax revenues received from the county and the remainder is paid with EEF Buildings and Buses funds received during that fiscal year. Proceeds from the three mill note were used to purchase school buses. This debt will be retired from the debt service fund

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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%	04-17-1994	05-17-2012	\$ 205,478	37,673
Total				\$ 205,478	37,673

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 11,415	-	11,415
2010	11,416	-	11,416
2011	11,416	-	11,416
2012	3,426	-	3,426
Total	\$ 37,673	-	37,673

This debt will be retired from the general fund.

E. Compensated absences payable.

As more fully explained in Note 1(F)(7), 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.

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

(7) 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 employer's rate for fiscal year ending June 30, 2008 was 11.85% 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, 2008, 2007 and 2006 were \$593,830, \$561,108, and \$514,358, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2009	\$ 122,710
2010	80,957
2011	7,924
2012	<u>7,924</u>
 Total	 <u>\$ 219,515</u>

HOLLANDALE SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2008

(9) 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 95 school districts and one community college and covers risks of loss arising from injuries to the member'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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, 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, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,113,504	1,177,752	1,177,752	64,248	-
State sources	4,721,109	4,365,589	4,365,589	(355,520)	-
Federal sources	46,000	149,078	149,078	103,078	-
<b>Total Revenues</b>	<b>5,880,613</b>	<b>5,692,419</b>	<b>5,692,419</b>	<b>(188,194)</b>	<b>-</b>
Expenditures:					
Instruction	3,490,443	3,396,904	3,396,904	93,539	-
Support services	2,316,739	2,375,163	2,375,163	(58,424)	-
Debt service:					
Principal	11,416	11,416	11,416	-	-
<b>Total Expenditures</b>	<b>5,818,598</b>	<b>5,783,483</b>	<b>5,783,483</b>	<b>35,115</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>62,015</b>	<b>(91,064)</b>	<b>(91,064)</b>	<b>(153,079)</b>	<b>-</b>
Other Financing Sources (Uses):					
Operating transfers in	205,000	191,500	191,500	(13,500)	-
Operating transfers out	(267,201)	(244,148)	(244,148)	23,053	-
Other financing uses		(5,881)	(5,881)	(5,881)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(62,201)</b>	<b>(58,529)</b>	<b>(58,529)</b>	<b>3,672</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(186)</b>	<b>(149,593)</b>	<b>(149,593)</b>	<b>(149,407)</b>	<b>-</b>
Fund Balances:					
July 1, 2007	955,904	1,002,212	1,002,212	46,308	-
June 30, 2008	\$ 955,718	852,619	852,619	(103,099)	-

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

HOLLANDALE SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title I  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	1,877	1,877	1,877	-
Federal sources	790,326	859,227	859,227	68,901	-
Total Revenues	790,326	861,104	861,104	70,778	-
Expenditures:					
Instruction	493,178	547,481	547,481	(54,303)	-
Support services	258,836	275,722	275,722	(16,886)	-
Noninstructional services	15,403	15,401	15,401	2	-
Total Expenditures	767,417	838,604	838,604	(71,187)	-
Excess (Deficiency) of Revenues Over Expenditures	22,909	22,500	22,500	(409)	-
Other Financing Sources (Uses):					
Operating transfers out	(22,909)	(22,500)	(22,500)	409	-
Total Other Financing Sources (Uses)	(22,909)	(22,500)	(22,500)	409	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2007			-		
June 30, 2008			\$		

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, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources			613	-	613
Federal sources	266,365	413,660	407,547	147,295	(6,113)
Total Revenues	266,365	413,660	408,160	147,295	(5,500)
Expenditures:					
Instruction	113,702	176,583	171,481	(62,881)	5,102
Support services	152,663	231,077	227,904	(78,414)	3,173
Total Expenditures	266,365	407,660	399,385	(141,295)	8,275
Excess (Deficiency) of Revenues Over Expenditures	-	6,000	8,775	6,000	2,775
Other Financing Sources (Uses):					
Operating transfers out		(6,000)	(8,775)	(6,000)	(2,775)
Total Other Financing Sources (Uses)	-	(6,000)	(8,775)	(6,000)	(2,775)
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2007					-
June 30, 2008			\$		-

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

HOLLANDALE SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Youthbuild Grant  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$		50,638	-	50,638
Federal sources		272,082	136,939	272,082	(135,143)
Total Revenues	-	272,082	187,577	272,082	(84,505)
Expenditures:					
Instruction		-	165,211		(165,211)
Support services		272,082	22,366	(272,082)	249,716
Total Expenditures	-	272,082	187,577	(272,082)	84,505
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2007			-		
June 30, 2008			\$ -		

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, 2008

(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, 2008

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:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 147,828
National school lunch program	10.555	382,123
Summer food service program for children	10.559	43,977
Total Child Nutrition Cluster		<u>573,928</u>
Child and adult care food program	10.558	<u>16,311</u>
Total U.S. Department of Agriculture		<u>590,239</u>
<u>U.S. Department of Labor</u>		
Direct programs:		
Youthbuild	17.274	<u>203,860</u>
Total U.S. Department of Labor		<u>203,860</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>58,792</u>
Total Federal Communications Commission		<u>58,792</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title 1-grants to local educational agencies	84.010	859,227
Career and technical education - basic grants to states	84.048	23,126
Safe and drug-free schools and communities- state grants	84.186	10,009
Education for homeless children and youth	84.196	24,564
Even start - state educational agencies	84.213	28,962
State grants for innovative programs	84.298	3,881
Education technology state grants	84.318	185,322
Gaining early awareness and readiness for undergraduate programs	84.334	7,582
Reading first state grants	84.357	224,899
Rural education	84.358	34,996
Improving teacher quality - state grant	84.367	142,561
Grants for state assessments and related activities	84.369	5,095
Total		<u>1,550,224</u>
Special education cluster:		
Special education - grants to states	84.027	267,462
Special education - preschool grants	84.173	31,800
Total		<u>299,262</u>
Total U.S. Department of Education		<u>1,849,486</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Head Start	93.600	<u>407,547</u>
Total		<u>407,547</u>
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	<u>90,285</u>
Total		<u>90,285</u>
Total U.S. Department of Health and Human Services		<u>497,832</u>
Corporation for National and Community Service		
Learn and serve America - school and community based programs	94.004	<u>8,144</u>
Total Corporation for National and Community Service		<u>8,144</u>
Total for All Federal Awards		<u>\$ 3,208,353</u>

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 expenditure 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, 2008 of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$37,673.

Hollandale School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For The Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>	
Salaries and fringe benefits	\$ 7,299,112	5,648,699	452,433	460,925	737,055	
Other	2,808,261	1,068,336	248,414	14,068	1,477,443	
<b>Total</b>	<b>\$ 10,107,373</b>	<b>6,717,035</b>	<b>700,847</b>	<b>474,993</b>	<b>2,214,498</b>	
Total number of students *		800				
Cost per student \$		12,634	8,396	876	594	2,768

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.

HOLLANDALE SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

HOLLANDALE SCHOOL DISTRICT

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HOLLANDALE SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

**"UNAUDITED"**

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 1,177,752	1,055,382	1,126,514	1,075,816
State sources	4,365,589	4,414,164	4,406,404	4,148,287
Federal sources	149,078	217,439	73,892	11,116
<b>Total Revenues</b>	<b>5,692,419</b>	<b>5,686,985</b>	<b>5,606,810</b>	<b>5,235,219</b>
<b>Expenditures:</b>				
Instruction	3,396,904	3,533,653	3,194,765	3,148,840
Support services	2,375,163	2,077,548	2,260,875	2,027,429
Noninstructional services			222	
Debt service:				
Principal	11,416	11,415	11,415	11,415
<b>Total Expenditures</b>	<b>5,783,483</b>	<b>5,622,616</b>	<b>5,467,277</b>	<b>5,187,684</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(91,064)</b>	<b>64,369</b>	<b>139,533</b>	<b>47,535</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	191,500	231,326	327,872	298,152
Operating transfers out	(244,148)	(263,794)	(357,798)	(346,294)
Other financing uses	(5,881)			
<b>Total Other Financing Sources (Uses)</b>	<b>(58,529)</b>	<b>(32,468)</b>	<b>(29,926)</b>	<b>(48,142)</b>
<b>Net Change in Fund Balances</b>	<b>(149,593)</b>	<b>31,901</b>	<b>109,607</b>	<b>(607)</b>
<b>Fund Balances:</b>				
July 1,	1,002,212	970,311	860,704	861,311
June 30,	<b>\$ 852,619</b>	<b>1,002,212</b>	<b>970,311</b>	<b>860,704</b>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

HOLLANDALE SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

**"UNAUDITED"**

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 1,338,980	1,326,802	1,467,183	1,388,185
State sources	5,048,819	5,150,581	5,314,721	5,060,387
Federal sources	3,211,760	3,228,449	3,276,236	2,988,229
Sixteenth section sources	182,848	124,153	154,545	129,750
<b>Total Revenues</b>	<b>9,782,407</b>	<b>9,829,985</b>	<b>10,212,685</b>	<b>9,566,551</b>
<b>Expenditures:</b>				
Instruction	5,330,421	5,445,893	4,950,698	4,755,699
Support services	3,675,822	3,368,050	4,095,633	3,670,450
Noninstructional services	620,995	570,714	577,773	587,583
Sixteenth section	12,061	10,925	4,018	10,415
Facilities acquisition and construction				43,870
<b>Debt service:</b>				
Principal	406,416	383,415	376,400	358,401
Interest	60,036	82,966	104,841	127,193
Other	1,622	1,702	1,760	1,976
<b>Total Expenditures</b>	<b>10,107,373</b>	<b>9,863,665</b>	<b>10,111,123</b>	<b>9,555,587</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(324,966)</b>	<b>(33,680)</b>	<b>101,562</b>	<b>10,964</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	497,658	541,619	608,518	551,382
Other financing sources		141		
Operating transfers out	(497,658)	(541,619)	(608,518)	(551,382)
Other financing uses	(5,881)	(11,212)	(3,452)	
<b>Total Other Financing Sources (Uses)</b>	<b>(5,881)</b>	<b>(11,071)</b>	<b>(3,452)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(330,847)</b>	<b>(44,751)</b>	<b>98,110</b>	<b>10,964</b>
<b>Fund Balances:</b>				
July 1,	2,021,297	2,062,142	1,961,246	1,950,094
Increase in reserve for inventory	1,189	3,906	2,786	188
June 30,	<b>\$ 1,691,639</b>	<b>2,021,297</b>	<b>2,062,142</b>	<b>1,961,246</b>

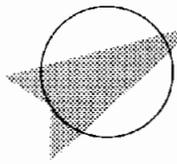
\* SOURCE - PRIOR YEAR AUDIT REPORTS

HOLLANDALE SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HOLLANDALE SCHOOL DISTRICT

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Diane Shaw Day, CPA

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

Superintendent and School Board  
Hollandale School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2008, which collectively comprise the Hollandale School District's basic financial statements and have issued my report thereon dated July 20, 2009. 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 opinions 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 2008-1 through 2008-3 to be 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.

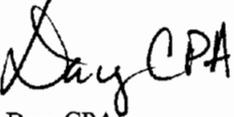
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

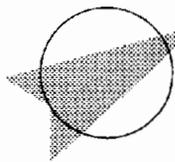
Compliance and Others Matters

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance or other matters that I have reported to management of the school district in a separate letter dated July 20, 2009, which is included in this report.

Hollandale School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit Hollandale School District's responses and, accordingly, I express no opinion on them.

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  
July 20, 2009



**Day** CERTIFIED PUBLIC ACCOUNTANT

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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, 2008. 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, 2008.

## 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 Hollandale 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.

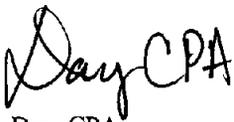
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed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

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 program 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 *2008-4 through 2008-10* 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. Of the significant deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, I consider *Findings 2008-4* and *2008-5* to be material weaknesses.

Hollandale School District's response to the findings identified in my audit is described in the accompanying Auditee's Corrective Action Plan. 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.



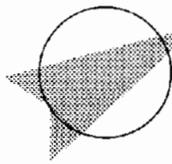
Day, CPA  
July 20, 2009

HOLLANDALE SCHOOL DISTRICT

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

HOLLANDALE SCHOOL DISTRICT

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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, 2008, which collectively comprise Hollandale School District's basic financial statements and have issued my report thereon dated July 20, 2009. 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 the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$10,119 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 2 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 disclosed the instance of noncompliance described in Finding 2008-9 in the Schedule of Findings and Questioned Costs and the following immaterial instances of noncompliance with other state laws and regulations. My immaterial findings and recommendations and your responses are as follows:

1. FINDING

In accords with Section 37-61-33-(3)(a)(iii), Miss. Code Ann. (1972) and guidelines established by the Mississippi Department of Education, Education Enhancement Funds for Classroom Supplies and Instructional Materials should be used for the acquisition of classroom supplies, instructional materials and/or equipment.

Educational enhancement funds for the purchase of instructional supplies totaling \$2,371.00 were allocated to the teachers of Chambers Middle School. Of this total allocation, \$2,000.00 was expended by the principal to cover the cost of Parent/Student Handbooks. This purchase does not appear to be in compliance Section 37-61-33-(3)(a)(iii), Miss. Code Ann. (1972), and guidelines established by the Mississippi Department of Education.

RECOMMENDATION

The district should comply with Section 37-61-33-(3)(a)(iii), and insure that educational enhancement funds for instructional supplies are used in accordance with Section 37-61-33-(3)(a)(iii), Miss. Code Ann. (1972), and guidelines established by the Mississippi Department of Education.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-61-33-(3)(a)(iii), and insure that educational enhancement funds for instructional supplies are used in accordance with Section 37-61-33-(3)(a)(iii), Miss. Code Ann. (1972), and guidelines established by the Mississippi Department of Education.

2. FINDING

In accords with Section 37-9-18(3) (b), Miss. Code Ann. (1972), the correct coding of expenditures at the function level as prescribed by the Mississippi Department of Education is required.

Per review of invoices and other supporting documentation in my test of expenditure, I noted that the district used incorrect function codes for expenditures totaling \$3,003.05.

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), and insure the correct and appropriate coding of expenditures at the function level.

3. FINDING

The District's selection of its Bank Depository was not in compliance with Code Section 37-7-333, Miss. Code Ann. (1972), which requires that if a bank submits a bid, which if accepted, would result in a contract in which a member of the school board has a direct or indirect interest, the school board should not open or consider any bids received. The Superintendent of Schools should submit the matter to the State Treasurer, who has the authority to solicit bids, select depository or depositories, make all decisions and take any action within the authority of the school board under this section relating to the selection of a depository or depositories.

The spouse of a board member of the District is employed by the District's depository. The District failed to forward the unopened bid to the State Treasurer, as required by Section 37-7-333, Miss. Code Ann. (1972). Instead, the School Board approved the bid and selected the District's depository.

RECOMMENDATION

The district should comply with Section 37-7-333, Miss. Code Ann. (1972), and insure that selection of its depository is in accordance with state law.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-7-333, Miss. Code Ann. (1972), and insure that selection of its depository is in accordance with state law.

4. FINDING

Section 37-57-107, Miss. Code Ann. (1972), requires ad valorem tax received in excess of the amount allowed by this code section, be placed in escrow when determining the following year ad valorem tax request.

During my test of limitations of ad valorem taxes, I noted that the district received \$36,618 in excess of the amount allowed by Section 37-57-107, Miss. Code Ann. (1972). The excess received during the 2007-2008 year was not placed in escrow for use during the next fiscal year.

RECOMMENDATION

The district should comply with Section 37-57-107, Miss. Code Ann. (1972), and escrow any excess ad valorem tax revenue received. It is recommended that the excess receipts totaling \$36,618 be addressed in the ad valorem tax request for the 2009-2010 fiscal year.

SCHOOL DISTRICT'S RESPONSE

The district will comply with Section 37-57-107, Miss. Code Ann. (1972), and escrow any excess ad valorem tax revenue received. The District will address the excess receipts totaling \$36,618 in the ad valorem tax request for the 2009-2010 fiscal year.

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.

The Hollandale School District's responses to the findings included in this report were not audited and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Day CPA*  
Day, CPA  
July 20, 2009

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, 2008

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?  | No          |
| 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?   | Yes         |
| 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, 2008

**Section 2: Financial Statement Findings**

**Significant deficiencies not considered to be material weaknesses**

2008-1 Finding

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

I noted the following exceptions during my examination of non-payroll expenditure transactions selected for test purposes:

- 2 Lack of proper authorization for expenditure
- 7 Lack of a purchase requisition
- 1 Lack of a purchase order
- 6 Lack of invoice or travel reimbursement request
- 3 Invoice was not properly cancelled
- 6 Lack of documentation of receipt of the item
- 13 Incorrect object coding
- 1 Payments made in advance of receipt of service

I also noted that several invoices appear to have been internally generated by the District.

These exceptions represent a significant deficiency in the internal control system of the District due to a lack of controls to insure that expenditures are properly authorized, supported and properly recorded.

**Recommendation**

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization, purchase requisition, purchase order, where appropriate, proper supporting invoice and receiving documentation are maintained by the district and made available for audit. The district should also insure that invoices are properly cancelled to aid in the prevention of duplicate payments. The district should further insure the proper coding of transactions and the payment for goods and/or services only after the goods and/or services have been received by the district.

In addition, the District should require all vendors to initiate and submit their invoices or billings. Pre-printed invoice forms should not be used by the District to assist the vendors in the billing process.

HOLLANDALE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

2008-2      Finding

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

In my test of activity fund revenue, I noted that concession sales from Simmons High School were not deposited in total for each football game event. It was noted that the cost of items purchase for concession sales were withheld from the amount deposited in the bank to be used to reimburse the district employee that purchased the concession sale items. Also deducted from dance receipts were payments for expenditures incurred for the after game dance event. Documentation was not systematically maintained for the expenditure transactions.

This represents a weakness in the internal control system of the District and limits the District's ability to insure the safeguarding of its assets.

Recommendation

The district should implement procedures to insure that all monies collected as a result of district sponsored activities, are immediately deposited, in total, in the District's bank accounts. The district should also establish procedures to insure that all expenditures related to student activities are properly recorded.

2008-3      Finding

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

During my examination of capital assets, I noted that equipment purchased during the fiscal year, asset code number 3798, was not properly tagged with the District's asset number.

Failure to properly tag all capital assets inhibits the District's ability to insure accountability for all capital assets of the District.

Recommendation

The district should insure that capital asset items are properly identified and tagged with a District's asset code number in an effort to insure accountability for all capital assets of the District.

HOLLANDALE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

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

**Material Weaknesses**

2008-4 Finding

Compliance Requirements: Reporting

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

Effective financial management requires the maintenance of accurate accounting records following generally accepted accounting principles.

Per my review of the Food Service program, I noted that the donated commodities revenue and expenditure accounts were understated by \$18,268.40. An audit adjustment was made to correct this error.

The understatement is due to a lack of proper review by the District to insure that all donated commodities transactions are properly accounted for in the financial accounting records of the District.

Recommendation

The district should implement procedures to insure that revenue and expenditures are properly recorded in the financial accounting records of the District.

2008-5 Finding

Compliance Requirements: Allowable Costs/ Cost Principles

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

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

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

- The district did not properly prepare, use for payroll processing and maintain proper supporting documentation for time and attendance for the Counselor at Sanders Elementary School. This employee was assigned both federal and non-federal responsibilities.

Questioned Cost: \$20,358.29

HOLLANDALE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

This exception represents a material weakness in the internal control system of the District due to a lack of controls to insure that time and attendance for employee that are assigned both federal and non-federal responsibilities, are properly prepared, used for payroll processing, maintained by the District and made available for audit examination.

Recommendation

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

**Significant deficiencies not considered to be material weaknesses**

2008-6 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

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

Per my review of the Food Service program expenditures, I noted the following exceptions:

- Advance travel pay was provided to an employee, but no actual reimbursement form was provided by the employee to document actual travel. The reconciliation of actual travel to advance payment was not required by the District. Therefore, any overpayment of the actual expenditure that may have existed could not be determined.
- The District's travel policy requires that reimbursement for meals be limited to actual expense incurred by the employee and a maximum reimbursement of \$31.00 per day for non-high cost areas. The employee provided no documentation as to the actual cost of meals.
- The employee was reimbursed at the reimbursement rate for a high cost area, when the travel was not to a high cost area as defined by the District's Policy Manual.

HOLLANDALE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

The above exceptions represent significant deficiencies in the internal control system of the District's accounting system which should require and insure adherence to established policies and procedures that are designed to insure strong financial accountability and safeguarding of assets.

Recommendation

The District should implement procedures to insure that established policies and guidelines are adhered to.

2008-7 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

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

I noted the following exceptions during my examination of non-payroll expenditure transactions selected for test purposes:

- 2 Lack of proper authorization for expenditure
- 2 Lack of proper supporting travel reimbursement form
- 1 Lack of documentation of receipt of the item
- 2 Incorrect object coding

These exceptions represent a significant deficiency in the internal control system of the District due to a lack of controls to insure that expenditures are properly authorized, supported and properly recorded.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including proper authorization, supporting travel reimbursement form, and receiving documentation are maintained by the district and made available for audit. The district should also insure the proper coding of transactions.

HOLLANDALE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

2008-8      Finding

Compliance Requirements: Cash Management

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

Federal program guidelines regarding cash management indicate that program reimbursements be limited to expenditures and obligations incurred such that cash on hand is kept to a minimum.

For nine (9) months of the fiscal year, the District requested reimbursement of program funds in excess of immediate needs that resulted in excessive amounts of program cash on hand for each month.

The cause of this condition was the result of control deficiencies that allowed an excess draw down of cash and a failure to detect and correct this error in a timely manner.

Recommendation

The district should implement procedures to insure that the proper internal controls are implemented and working effectively to prevent, and/or detect in a timely manner, the excess draw down of cash in accordance with the program guidelines.

2008-9      Finding

Compliance Requirements: Allowable Costs/ Cost Principles

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

The district is required to follow State statute in selecting vendors of the district. State statute requires quotes from at least two (2) vendors for purchases which involve an expenditure of more than \$5,000 but less than \$25,000, exclusive of freight and shipping charges. The purchase may then be made from the lowest and best quoted price.

For one (1) transaction selected for testing, the district selected the vendor as a sole source provider of test tracker, lesson planner, and student support network products, which cost a total of \$8,500.00. These products do not appear to be items that are only available from one vendor. In addition, the vendor was not approved by the school board as a sole source vendor, as required by State statute when purchasing from a sole source vendor.

HOLLANDALE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

RECOMMENDATION

The district should comply with State statute, when selecting vendors of the district, by insuring that applicable purchases, which involve an expenditure of more than \$5,000 but less than \$25,000, are made from the lowest and best quoted price.

2008-10 Finding

Compliance Requirements: Allowable Costs/ Cost Principles

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

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

I noted the following exceptions during my examination of non-payroll expenditure transactions selected for test purposes:

- 1 Lack of a purchase requisition
- 1 Lack of a purchase order
- 2 Invoice was not properly cancelled
- 3 Lack of documentation of receipt of the item
- 3 Incorrect object coding

I also noted that two (2) invoices appear to have been internally generated by the District.

These exceptions represent a significant deficiency in the internal control system of the District due to a lack of controls to insure that expenditures are properly authorized, supported and properly recorded.

Recommendation

The district should implement policies and procedures to insure all necessary supporting documents, including a properly prepared purchase requisition, supporting invoice and receiving documentation, are maintained by the district and made available for audit. The district should also insure that invoices are properly cancelled to aid in the prevention of duplicate payments. The district should further insure the proper coding of transactions.

In addition, the District should require all vendors to initiate and submit their invoices or billing. Pre-printed invoice forms or other District prepared invoices should not be used by the District to assist the vendor in the billing process.

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  
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**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, 2008:

Finding  
2008-1

Corrective Action Plan Details

- a. Name of Contact Person(s)  
Responsible for Corrective Action:
- Name: Vera V. Blue  
Title: Business Manager  
Phone: (662) 827-2276
- Name: Peggy Adams  
Title: Accounts Payable/Purchasing  
Phone: (662) 827-5305
- b. Corrective Action Planned:
- The district will implement procedures to insure all necessary supporting documents, including proper authorization, purchase requisition, purchase order, where appropriate, proper supporting invoice and receiving documentation are maintained by the district and made available to the audit. The district will further insure the proper coding of transactions and the payment for goods and/or services

only after the goods and/or services have been received by the district. In addition, the District will require all vendors to initiate and submit their invoices or billings. Pre-printed invoice forms will not be used by the District to assist the vendors in the billing process.

- c. Anticipated Completion Date:  
June 30, 2009

2008-2

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

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

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

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

- b. Corrective Action Planned:

The district will implement procedures to insure that all monies collected as a result of district sponsored activities, are immediately deposited, in total, in the District's bank accounts. The district will also establish procedures to insure that all expenditures related to student activities are properly recorded.

- c. Anticipated Completion Date:  
June 30, 2009

2008-3

- a. Name of Person Responsible for Corrective Action:

Name: Peggy Adams  
Title: Account Payable/Purchasing/Fixed Asset Clerk  
Phone: (662) 827-5305

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

- b. Corrective Action Planned:

The district will insure that capital asset items are properly identified and tagged with a District's asset code number in an effort to insure accountability for all capital assets of the District.

- c. Anticipated Completion Date:  
June 30, 2009

2008-4

- 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 insure that revenue and expenditure are properly recorded in the financial accounting records of the District.

2008-5

- c. Anticipated Completion Date:  
June 30, 2009
- a. Name of Person(s) Responsible for Corrective Action:  
  
Name: Gerald George  
Title: Principal  
Phone: (662) 827-2024  
  
Name: Elizabeth Jordan  
Title: Payroll/Personnel/Bookkeeper  
Phone: (662) 827-2276  
  
Name: Jobana Frey  
Title: Associate Superintendent of Federal Programs  
Phone: (662) 827-5305

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

- c. Anticipated Completion Date:  
June 30, 2009

2008-6

- a. Name of Person(s) Responsible for Corrective Action:  
  
Name: Clara Adams  
Title: Food Service Supervisor  
Phone: (662) 827-2276

Name: Peggy Adams  
Title: Account  
Payable/Purchasing/Fixed  
Asset Clerk  
Phone: (662) 827-5305

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

b. Corrective Action Planned:

The district will implement procedures to insure that established policies and guidelines are adhered to.

c. Anticipated Completion Date:

June 30, 2009

2008-7

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

Name: Peggy Adams  
Title: Account  
Payable/Purchasing/Fixed  
Asset Clerk  
Phone: (662) 827-5305

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 policies and procedures to insure all necessary supporting documents, including proper authorization, supporting travel reimbursement

form, and receiving documentation, are maintained by the district and made available for the audit. The district will also insure the proper coding of transactions.

c. Anticipated Completion Date:

June 30, 2009

2008-8

a. Name of Contact Person(s) 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 insure that the proper internal controls are implemented and working effectively to prevent, and/or detect in a timely manner, the excess draw down of cash in accordance with the program guidelines.

c. Anticipated Completion Date:

June 30, 2009

2008-9

a. Name of Contact Person Responsible for Corrective Action:

Name: Jobana Frey  
Title: Associate Superintendent of Federal Programs  
Phone: (662) 827-5305

Name: Peggy Adams  
Title: Account Payable/Purchasing/Fixed Asset Clerk  
Phone: (662) 827-5305

Name: Vera V. Blue  
Title: Business Manager

Phone: (662) 827-2276

b. Corrective Action Planned:

The district will comply with state statute, when selecting vendors for the district, by insuring that applicable purchases, which involve an expenditures of more than \$5,000 but less than \$25,000, purchases are made from the lowest and best quoted price.

c. Anticipated Completion Date:

June 30, 2009

2008-10

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

Name: Ramona Love  
Title: Secretary/Bookkeeper  
Phone: (662) 827-5651

Name: Peggy Adams  
Title: Account Payable/Purchasing/Fixed Asset Clerk  
Phone: (662) 827-5305

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

b. Corrective Action Planned:

The district will implement policies and procedures to insure all necessary supporting documents, including a properly prepared purchase requisition, supporting invoice and receiving documentation, are maintained by the district and made available for audit. The district will also insure that invoices are properly cancelled to aid in the prevention of duplicate payment. The district should further insure the proper coding of transactions.

In addition, the District will require all

vendors to initiate and submit their invoices or billing. Pre-printed invoice forms or other District prepared invoices should not be used by the District to assist the vendor in the billing process.

C. Anticipated Completion Date:

June 30, 2009

  
Willie Amos, Superintendent  
Hollandale School District

**Hollandale School District**  
P. O. Box 128 101 W. Washington Street  
Hollandale, Mississippi 38748  
*Willie Amos, Superintendent*



**Jobana Frey,**  
*Associate Superintendent*

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

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

**Financial and Compliance Audit Division**

As required by Section \_\_\_\_\_ 315 (b) of OMB Circular A-133, the Hollandale School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

<b><u>Finding</u></b>	<b><u>Status</u></b>
2007-4	Corrective Action was taken.
2007-5	Corrective Action was taken.

Sincerely,

Willie Amos  
Superintendent

