



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



HOLLANDALE SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2014

HOLLANDALE SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	14
Exhibit B – Statement of Activities	15
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	16
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	18
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	20
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	35
Budgetary Comparison Schedule – General Fund	36
Budgetary Comparison Schedule – Title I Basic Fund	37
Budgetary Comparison Schedule – School Improvement Fund	38
Notes to the Required Supplementary Information	39
SUPPLEMENTAL INFORMATION	40
Schedule of Expenditures of Federal Awards	41
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	42
OTHER INFORMATION	43
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	44
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	45
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133	49
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	51
SCHEDULE OF FINDINGS AND QUESTIONED COST	53

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Hollandale School District

**Report on the Financial Statements**

We 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, 2014, and the related notes to the financial statements, which collectively comprise the Hollandale School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollandale School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the Hollandale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hollandale School District's internal control over financial reporting and compliance.

Watkins, Ward & Stafford PLLC  
Jackson, Mississippi  
March 3, 2015

*Watkins Ward and Stafford, PLLC*

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Hollandale School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### FINANCIAL HIGHLIGHTS

- Total net position for 2014 increased \$213,796, which represents a 6% increase from fiscal year 2013. Total net position for 2013 decreased \$249,462, which represents a 7% decrease from fiscal year 2012.
- General revenues amounted to \$5,239,230 and \$5,181,115, or 55% and 52% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,314,512, or 45% of total revenues for 2014, and \$4,877,119, or 48% of total revenues for 2013.
- The District had \$9,339,946 and \$10,307,696 in expenses for fiscal years 2014 and 2013; only \$4,314,512 for 2014 and \$4,877,119 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,239,230 for 2014 were adequate to provide for these programs. General revenues of \$5,181,115 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$5,055,416 in revenues and \$4,960,518 in expenditures for 2014, and \$4,761,512 in revenues and \$5,734,811 in expenditures in 2013. The General Fund's fund balance increased by \$579,232 from 2013 to 2014, and decreased by \$418,485 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$186,521 for 2014 and increased by \$256,838 for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$53,724 for 2014 and increased by \$311,034 for 2013. The decrease for 2014 was due primarily to the principal payment on outstanding long-term debt. The liability for compensated absences decreased by \$3,427 for 2014 and increased by \$4,004 for 2013.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 periods.

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 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** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities 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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined 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. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

#### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

#### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. 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 as required by the Governmental Accounting Standards Board.

#### **Supplemental Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

#### **Other Information**

Although not a required part of the basic financial statements, 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.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$3,728,820 as of June 30, 2014.

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.

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 2,556,719	\$ 2,014,221	26.93 %
Restricted assets	283,864	496,813	(42.86) %
Capital assets, net	2,774,551	2,961,072	(6.30) %
<b>Total assets</b>	<b>5,615,134</b>	<b>5,472,106</b>	<b>2.61 %</b>
Current liabilities	115,591	132,635	(12.85) %
Long-term debt outstanding	1,770,723	1,824,447	(2.94) %
<b>Total liabilities</b>	<b>1,886,314</b>	<b>1,957,082</b>	<b>(3.62) %</b>
<b>Net position:</b>			
Net investment in capital assets	2,497,818	2,634,042	(5.17) %
Restricted	911,644	1,325,682	(31.23) %
Unrestricted	319,358	(444,700)	171.81 %
<b>Total net position</b>	<b>\$ 3,728,820</b>	<b>\$ 3,515,024</b>	<b>6.08 %</b>

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

- Decrease in net capital assets in the amount of \$186,521.
- The principal retirement of \$50,297 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$9,553,742 and \$10,058,234, respectively. The total cost of all programs and services was \$9,339,946 for 2014 and \$10,307,696 for 2013.

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2**  
**Changes in Net Position**

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 84,750	\$ 83,354	1.67 %
Operating grants and contributions	4,229,762	4,793,765	(11.77) %
General revenues:			
Property taxes	1,239,181	1,147,938	7.95 %
Grants and contributions not restricted	3,697,138	3,744,429	(1.26) %
Investment earnings	8,848	6,222	42.21 %
Sixteenth section sources	187,786	157,906	18.92 %
Other	106,277	124,620	(14.72) %
<b>Total revenues</b>	<b>9,553,742</b>	<b>10,058,234</b>	<b>(5.02) %</b>
<b>Expenses:</b>			
Instruction	4,686,054	4,952,430	(5.38) %
Support services	4,174,707	4,812,151	(13.25) %
Non-instructional	454,585	524,983	(13.41) %
Sixteenth section	10,293	7,130	44.36 %
Interest on long-term liabilities	14,307	11,002	30.04 %
<b>Total expenses</b>	<b>9,339,946</b>	<b>10,307,696</b>	<b>(9.39) %</b>
<b>Increase (Decrease) in net position</b>	<b>213,796</b>	<b>(249,462)</b>	<b>185.70 %</b>
<b>Net Position, July 1</b>	<b>3,515,024</b>	<b>3,764,486</b>	<b>(6.63) %</b>
<b>Net Position, June 30</b>	<b>\$ 3,728,820</b>	<b>\$ 3,515,024</b>	<b>6.08 %</b>

**Governmental activities**

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

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 4,686,054	\$ 4,952,430	(5.38) %
Support services	4,174,707	4,812,151	(13.25) %
Non-instructional	454,585	524,983	(13.41) %
Sixteenth section	10,293	7,130	44.36 %
Interest on long-term liabilities	14,307	11,002	30.04 %
<b>Total expenses</b>	<b>\$ 9,339,946</b>	<b>\$ 10,307,696</b>	<b>(9.39) %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (2,735,103)	\$ (2,992,392)	(8.60) %
Support services	(2,344,895)	(2,477,035)	(5.33) %
Non-instructional	74,364	56,982	30.50 %
Sixteenth section	(5,493)	(7,130)	(22.96) %
Interest on long-term liabilities	(14,307)	(11,002)	30.04 %
<b>Total net (expense) revenue</b>	<b>\$ (5,025,434)</b>	<b>\$ (5,430,577)</b>	<b>(7.46) %</b>

- Net cost of governmental activities (\$5,025,434 for 2014 and \$5,430,577 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$1,239,181 for 2014 and \$1,147,938 for 2013) and state and federal revenues (\$3,697,138 for 2014 and \$3,744,429 for 2013). In addition, there was \$187,786 and \$157,906 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$8,848 for 2014 and \$6,222 for 2013.

## 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, unassigned 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 the year, its governmental funds reported a combined fund balance of \$2,729,683, an increase of \$345,740, which includes a decrease in inventory of \$2,335. \$1,616,350 or 59% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,113,333 or 41% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$579,232. The fund balance of Other Governmental Funds showed a decrease in the amount of \$233,492, which includes a decrease in inventory of \$2,335.

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic Fund	no increase or decrease
School Improvement Fund	no increase or decrease

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared to the District's total revenues and expenditures.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$5,388,308, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$8,745 from 2013. Total accumulated depreciation as of June 30, 2014, was \$2,613,757, and total depreciation expense for the year was \$195,266, resulting in total net capital assets of \$2,774,551.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 109,178	\$ 109,178	0.00 %
Buildings	2,004,881	2,061,036	(2.72) %
Mobile equipment	562,908	637,078	(11.64) %
Furniture and equipment	97,584	153,780	(36.54) %
<b>Total</b>	<b>\$ 2,774,551</b>	<b>\$ 2,961,072</b>	<b>(6.30) %</b>

Additional information on the District's capital assets can be found in Note 5 included in this report.

**Debt Administration.** At June 30, 2014, the District had \$1,770,723 in outstanding long-term debt, of which \$54,110 is due within one year. During the fiscal year, the District made principal payments in the amount of \$50,297 on outstanding long-term debt. The liability for compensated absences decreased \$3,427 from the prior year.

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Installment purchase loans payable	\$ 276,733	\$ 327,030	(15.38) %
Qualified school construction bonds payable	1,450,000	1,450,000	0.00 %
Compensated absences payable	43,990	47,417	(7.23) %
<b>Total</b>	<b><u>\$ 1,770,723</u></b>	<b><u>\$ 1,824,447</u></b>	<b>(2.94) %</b>

Additional information on the District's long-term debt can be found in Note 6 included in this report.

### **CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state, and federal revenues.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

FINANCIAL STATEMENTS

HOLLANDALE SCHOOL DISTRICT

Statement of Net Position  
June 30, 2014

Exhibit A

	Governmental Activities
	<hr/>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,345,823
Due from other governments	204,954
Accrued interest receivable	1,972
Inventories	3,970
Restricted assets	283,864
Capital assets, non-depreciable:	
Land	109,178
Capital assets, net of accumulated depreciation:	
Buildings	2,004,881
Mobile equipment	562,908
Furniture and equipment	97,584
Total Assets	<hr/> 5,615,134 <hr/>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	107,320
Unearned revenue	3,580
Interest payable on long-term liabilities	4,691
Long-term liabilities, due within one year:	
Capital related liabilities	51,910
Non-capital related liabilities	2,200
Long-term liabilities, due beyond one year:	
Capital related liabilities	224,823
Non-capital related liabilities	1,491,790
Total Liabilities	<hr/> 1,886,314 <hr/>
 <b>Net Position</b>	
Net investment in capital assets	2,497,818
Restricted for:	
Expendable:	
School-based activities	273,720
Debt service	350,360
Capital improvements	216,987
Forestry improvements	15,067
Unemployment benefits	30,333
Non-expendable:	
Sixteenth section	25,177
Unrestricted	319,358
Total Net Position	<hr/> \$ 3,728,820 <hr/>

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, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 4,686,054	\$ 58,536	\$ 1,892,415	\$ -	\$ (2,735,103)	
Support services	4,174,707	-	1,829,812	-	(2,344,895)	
Non-instructional	454,585	21,414	507,535	-	74,364	
Sixteenth section	10,293	4,800	-	-	(5,493)	
Interest on long-term liabilities	14,307	-	-	-	(14,307)	
<b>Total Governmental Activities</b>	<b>\$ 9,339,946</b>	<b>\$ 84,750</b>	<b>\$ 4,229,762</b>	<b>\$ -</b>	<b>\$ (5,025,434)</b>	

General Revenues:

Taxes:

General purpose levies	1,173,263
Debt purpose levies	65,918

Unrestricted grants and contributions:

State	3,602,151
Federal	94,987
Unrestricted investment earnings	8,848
Sixteenth section sources	187,786
Other	106,277
<b>Total General Revenues</b>	<b>5,239,230</b>

Change in Net Position	213,796
Net Position - Beginning	3,515,024
Net Position - Ending	<b>\$ 3,728,820</b>

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

HOLLANDALE SCHOOL DISTRICT  
Governmental Funds

Balance Sheet  
June 30, 2014

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I Basic Fund	School Improvement Fund	Other Governmental Funds		
<b>Assets</b>						
Cash and cash equivalents	\$ 1,532,871	\$ -	\$ -	\$ 838,129	\$ -	2,371,000
Cash with fiscal agents	-	-	-	3,193	-	3,193
Investments	-	-	-	255,494	-	255,494
Due from other governments	56,512	31,206	100,674	16,562	-	204,954
Accrued interest receivable	-	-	-	1,972	-	1,972
Due from other funds	97,700	-	-	-	-	97,700
Inventories	-	-	-	3,970	-	3,970
Total assets	\$ 1,687,083	\$ 31,206	\$ 100,674	\$ 1,119,320	\$ -	\$ 2,938,283
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 55,134	\$ 727	\$ 47,030	\$ 4,429	\$ -	107,320
Due to other funds	-	30,479	53,644	13,577	-	97,700
Deferred revenue	-	-	-	3,580	-	3,580
Total Liabilities	55,134	31,206	100,674	21,586	-	208,600
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	3,970	-	3,970
Permanent fund principal	-	-	-	25,177	-	25,177
<b>Restricted:</b>						
Debt service	-	-	-	355,051	-	355,051
Capital projects	-	-	-	216,987	-	216,987
Forestry improvement purposes	-	-	-	15,067	-	15,067
Grant activities	-	-	-	38,802	-	38,802
Unemployment benefits	-	-	-	30,333	-	30,333
Child nutrition	-	-	-	230,948	-	230,948
<b>Assigned:</b>						
Capital projects	-	-	-	88,625	-	88,625
Sixteenth section	-	-	-	40,898	-	40,898
Activity funds	5,012	-	-	-	-	5,012
Other purposes	10,587	-	-	51,876	-	62,463
<b>Unassigned</b>	1,616,350	-	-	-	-	1,616,350
Total Fund Balances	1,631,949	-	-	1,097,734	-	2,729,683
Total Liabilities and Fund Balances	\$ 1,687,083	\$ 31,206	\$ 100,674	\$ 1,119,320	\$ -	\$ 2,938,283

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

**HOLLANDALE SCHOOL DISTRICT  
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 2,729,683**

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 109,178	
Buildings	3,397,556	
Mobile equipment	1,207,429	
Furniture and equipment	674,145	
Accumulated depreciation	<u>(2,613,757)</u>	2,774,551

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Loans payable	(276,733)	
Other bonds payable	(1,450,000)	
Compensated absences	(43,990)	
Accrued interest payable	<u>(4,691)</u>	(1,775,414)

**Net Position of governmental activities** **\$ 3,728,820**

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

HOLLANDALE SCHOOL DISTRICT  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For The Year Ended June 30, 2014

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Title I Basic Fund	School Improvement Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 1,338,426	\$ 9	\$ -	\$ 95,782	\$ 1,434,217
State sources	3,622,003	-	-	247,491	3,869,494
Federal sources	94,987	929,030	2,106,888	926,502	4,057,407
Sixteenth section sources	-	-	-	192,624	192,624
<b>Total Revenues</b>	<b>5,055,416</b>	<b>929,039</b>	<b>2,106,888</b>	<b>1,462,399</b>	<b>9,553,742</b>
<b>Expenditures:</b>					
Instruction	2,559,118	729,714	733,365	495,662	4,517,859
Support services	2,340,618	162,758	1,325,944	264,874	4,094,194
Noninstructional services	-	15,858	-	419,637	435,495
Sixteenth section	-	-	-	10,293	10,293
Debt service:					
Principal	50,297	-	-	-	50,297
Interest	10,485	-	-	3,625	14,110
Other	-	-	-	1,050	1,050
<b>Total Expenditures</b>	<b>4,960,518</b>	<b>908,330</b>	<b>2,059,309</b>	<b>1,195,141</b>	<b>9,123,298</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>94,898</b>	<b>20,709</b>	<b>47,579</b>	<b>267,258</b>	<b>430,444</b>
<b>Other Financing Sources (Uses):</b>					
Payments held by escrow agent	-	-	-	81,804	81,804
Payment to QSCB debt escrow agent	-	-	-	(81,804)	(81,804)
Operating transfers in	672,932	-	-	130,515	803,447
Operating transfers out	(106,229)	(20,709)	(47,579)	(628,930)	(803,447)
Other financing uses	(82,369)	-	-	-	(82,369)
<b>Total Other Financing Sources (Uses)</b>	<b>484,334</b>	<b>(20,709)</b>	<b>(47,579)</b>	<b>(498,415)</b>	<b>(82,369)</b>
<b>Net Change in Fund Balances</b>	<b>579,232</b>	<b>-</b>	<b>-</b>	<b>(231,157)</b>	<b>348,075</b>
<b>Fund Balances:</b>					
July 1, 2013	1,052,717	-	-	1,331,226	2,383,943
Increase (Decrease) in inventory	-	-	-	(2,335)	(2,335)
June 30, 2014	\$ 1,631,949	\$ -	\$ -	\$ 1,097,734	\$ 2,729,683

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

HOLLANDALE SCHOOL DISTRICT  
Governmental Funds

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, 2014

Exhibit D-1

Net change in fund balances - total governmental funds \$ 348,075

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 8,745	
Depreciation expense	<u>(195,266)</u>	(186,521)

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	50,297	
Accrued interest payable	<u>853</u>	51,150

3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	3,427	
Change in inventory	<u>(2,335)</u>	1,092

<b>Change in Net Position of governmental activities</b>		<b><u>\$ 213,796</u></b>
--	--	--------------------------

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

HOLLANDALE SCHOOL DISTRICT  
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2014

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 278,841
Total Assets	<u>\$ 278,841</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 272,111
Due to student clubs	<u>6,730</u>
Total Liabilities	<u>\$ 278,841</u>

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

**Note 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 is 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. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been eliminated from the government-wide statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are 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 taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

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

The school district reports the following major governmental funds:

**General Fund** - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Title I Basic Fund** - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

**School Improvement Fund** - This is a special revenue fund that accounts for federal sources received and expenditures incurred to improve the instruction and curriculum within the school district.

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 fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund is used as a clearing fund for payroll 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.

**Accounts Payable Clearing Fund** - This fund is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

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, Basis of Accounting, and Financial Statement Presentation**

In the government-wide Statement of Net Position 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.

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 taxes, 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 is both restricted and unrestricted net position 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 inter-fund activity has been eliminated from the government-wide statements.

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 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.

**D. Encumbrances**

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

**E. Assets, liabilities, and net position/fund balances**

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

Activities 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 inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund 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.

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

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 Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. 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 fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. 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 table below.

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 the capitalization 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 the Financial Statements  
For The Year Ended June 30, 2014

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 a long-term liability 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 liability for compensated absences 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 Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Non-spendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

## **Note 2 – Cash and Cash Equivalents and Investments**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's 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 excess 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 deposit or 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, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (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 other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. 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. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,371,000 and \$278,841, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$2,345,823 and a portion of restricted assets in the amount of \$25,177. The bank balance was \$3,061,227.

*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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$3,061,227 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$3,193.

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS		less than 1	\$ 255,494
Total			<u>\$ 255,494</u>

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

*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 investment 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, 2014, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure 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.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

**Note 3 – Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Basic Fund	\$ 30,479
	School Improvement Fund	53,644
	Other governmental funds	13,577
Total		<u>\$ 97,700</u>

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

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 106,229
Title I Basic Fund	General Fund	20,709
School Improvement Fund	General Fund	47,579
Other governmental funds	General Fund	604,644
	Other governmental funds	24,286
Total		<u>\$ 803,447</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational education expenditure transfers, unemployment transfers, debt service transfers, and the transfer of expendable resources from the Sixteenth Section Interest Fund to the General Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$25,177 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. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$3,193 and \$255,494, respectively, of the QSCB Bond Retirement Fund.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

**Note 5 – Capital Assets**

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 109,178	\$	\$	\$ 109,178
Total non-depreciable capital assets	<u>109,178</u>	<u>-</u>	<u>-</u>	<u>109,178</u>
<u>Depreciable capital assets:</u>				
Buildings	3,397,556			3,397,556
Mobile equipment	1,207,429			1,207,429
Furniture and equipment	665,400	8,745		674,145
Total depreciable capital assets	<u>5,270,385</u>	<u>8,745</u>	<u>-</u>	<u>5,279,130</u>
<u>Less accumulated depreciation for:</u>				
Buildings	1,336,520	56,155		1,392,675
Mobile equipment	570,351	74,170		644,521
Furniture and equipment	511,620	64,941		576,561
Total accumulated depreciation	<u>2,418,491</u>	<u>195,266</u>	<u>-</u>	<u>2,613,757</u>
Total depreciable capital assets, net	<u>2,851,894</u>	<u>(186,521)</u>	<u>-</u>	<u>2,665,373</u>
Governmental activities capital assets, net	<u>\$ 2,961,072</u>	<u>\$ (186,521)</u>	<u>\$ -</u>	<u>\$ 2,774,551</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 96,970
Support services	81,370
Non-instructional	16,926
Total depreciation expense - Governmental activities	<u>\$ 195,266</u>

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Installment purchases loans payable	\$ 327,030	\$	50,297	\$ 276,733	\$ 51,910
B. Qualified school construction bonds payable	1,450,000			1,450,000	-
C. Compensated absences payable	47,417		3,427	43,990	2,200
<b>Total</b>	<b>\$ 1,824,447</b>	<b>\$</b>	<b>53,724</b>	<b>\$ 1,770,723</b>	<b>\$ 54,110</b>

**A. Installment purchases loans payable**

The school district has entered into an installment purchases agreement as listed below. Property under this installment purchases agreement is composed of:

1. Four 2014 Thomas buses
2. One 2012 Thomas bus

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Installment purchase agreement	3.14%	12/19/2012	12/19/2018	\$ 387,812	\$ 276,733
<b>Total</b>				<b>\$ 387,812</b>	<b>\$ 276,733</b>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 51,910	\$ 8,872	\$ 60,782
2016	53,574	7,208	60,782
2017	55,291	5,491	60,782
2018	57,064	3,718	60,782
2019	58,894	1,888	60,782
<b>Total</b>	<b>\$ 276,733</b>	<b>\$ 27,177</b>	<b>\$ 303,910</b>

This debt will be retired from the District Maintenance Fund (General Fund).

**B. Qualified school construction bonds payable**

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.25%	9/15/2010	9/15/2027	\$ 1,450,000	\$ 1,450,000
Total				<u>\$ 1,450,000</u>	<u>\$ 1,450,000</u>

**C. Compensated absences payable**

As more fully explained in Note 1(E)(8), 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.

**Note 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 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$643,141, \$655,150 and \$576,850, respectively, which equaled the required contributions for each year.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

**Note 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 therefrom 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.

<u>Year Ending June 30</u>		<u>Amount</u>
2015	\$	139,883
2016		19,831
2017		4,480
Total	\$	<u>164,194</u>

**Note 9 – Contingencies**

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

**Note 10 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

**Note 11 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For The Year Ended June 30, 2014

within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$260,659, which included accrued income of \$1,972. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2015	\$ 85,294
2016	85,294
2017	85,294
2018	85,294
2019	85,294
2020 – 2024	426,470
2025 – 2028	341,178
Total	<u>\$ 1,194,118</u>

**Note 12 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated May 5, 2008, creating the Area Vocational School Consortium. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Leland School District, Shaw School District and Hollandale School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

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

**Note 13 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Hollandale School District evaluated the activity of the district through March 3, 2015, and determined that there were no subsequent events that should be noted in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**HOLLANDALE SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
	Original	Final			
<b>Revenues:</b>					
Local sources	\$ 1,289,916	\$ 1,338,426	\$ 1,338,426	\$ 48,510	\$ -
State sources	3,516,845	3,622,003	3,622,003	105,158	-
Federal sources	40,000	94,987	94,987	54,987	-
<b>Total Revenues</b>	<b>4,846,761</b>	<b>5,055,416</b>	<b>5,055,416</b>	<b>208,655</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	2,970,903	2,559,118	2,559,118	411,785	-
Support services	2,092,088	2,340,618	2,340,618	(248,530)	-
Debt service:					
Principal	61,000	60,782	50,297	218	10,485
Interest	-	-	10,485	-	(10,485)
Other	-	82,369	-	(82,369)	82,369
<b>Total Expenditures</b>	<b>5,123,991</b>	<b>5,042,887</b>	<b>4,960,518</b>	<b>81,104</b>	<b>82,369</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(277,230)	12,529	94,898	289,759	82,369
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	381,000	745,524	672,932	364,524	(72,592)
Operating transfers out	(103,965)	(178,821)	(106,229)	(74,856)	72,592
Other financing uses	-	-	(82,369)	-	(82,369)
<b>Total Other Financing Sources (Uses)</b>	<b>277,035</b>	<b>566,703</b>	<b>484,334</b>	<b>289,668</b>	<b>(82,369)</b>
<b>Net Change in Fund Balances</b>	<b>(195)</b>	<b>579,232</b>	<b>579,232</b>	<b>579,427</b>	<b>-</b>
<b>Fund Balances:</b>					
July 1, 2013	997,033	1,052,717	1,052,717	55,684	-
June 30, 2014	\$ 996,838	\$ 1,631,949	\$ 1,631,949	\$ 635,111	\$ -

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

**HOLLANDALE SCHOOL DISTRICT  
Required Supplementary Information**

**Budgetary Comparison Schedule  
Title I Basic Fund  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
	Original	Final			
<b>Revenues:</b>					
Local sources	\$ -	\$ 9	\$ 9	\$ 9	\$ -
Federal sources	785,817	929,030	929,030	143,213	-
<b>Total Revenues</b>	<b>785,817</b>	<b>929,039</b>	<b>929,039</b>	<b>143,222</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	772,021	729,714	729,714	42,307	-
Support services	210,915	162,758	162,758	48,157	-
Noninstructional services	17,103	15,858	15,858	1,245	-
<b>Total Expenditures</b>	<b>1,000,039</b>	<b>908,330</b>	<b>908,330</b>	<b>91,709</b>	<b>-</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(214,222)	20,709	20,709	234,931	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	(20,709)	(20,709)	(20,709)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(20,709)</b>	<b>(20,709)</b>	<b>(20,709)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(214,222)</b>	<b>-</b>	<b>-</b>	<b>214,222</b>	<b>-</b>
<b>Fund Balances:</b>					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ (214,222)	\$ -	\$ -	\$ 214,222	\$ -

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

**HOLLANDALE SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**School Improvement Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 2,286,243	\$ 2,106,888	\$ 2,106,888	\$ (179,355)	\$ -
Total Revenues	2,286,243	2,106,888	2,106,888	(179,355)	-
<b>Expenditures:</b>					
Instruction	723,427	733,365	733,365	(9,938)	-
Support services	1,580,626	1,325,944	1,325,944	254,682	-
Total Expenditures	2,304,053	2,059,309	2,059,309	244,744	-
Excess (Deficiency) of Revenues over (under) Expenditures	(17,810)	47,579	47,579	65,389	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(67,215)	(47,579)	(47,579)	19,636	-
Total Other Financing Sources (Uses)	(67,215)	(47,579)	(47,579)	19,636	-
Net Change in Fund Balances	(85,025)	-	-	85,025	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ (85,025)	\$ -	\$ -	\$ 85,025	\$ -

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before 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.

SUPPLEMENTAL INFORMATION

**HOLLANDALE SCHOOL DISTRICT  
Supplemental Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 131,817
National school lunch program	10.555	326,130
Summer Food Service Program for Children	10.559	102,975
Total child nutrition cluster		560,922
Total passed-through Mississippi Department of Education		560,922
<b>Total U.S. Department of Agriculture</b>		<b>560,922</b>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	91,907
<b>Total Federal Communications Commission</b>		<b>91,907</b>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	938,618
Rural education	84.358	13,525
Improving Teacher Quality State grants	84.367	124,542
Subtotal		1,076,685
Special education cluster:		
Special education - grants to states	84.027	219,741
Special education - preschool grants	84.173	24,622
Total special education cluster		244,363
School Improvement Grant cluster:		
School Improvement Grant	84.377	2,106,888
Total School Improvement Grant Cluster		2,106,888
Total passed-through Mississippi Department of Education		3,427,936
<b>Total U.S. Department of Education</b>		<b>3,427,936</b>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	3,080
<b>Total U.S. Department of Health and Human Services</b>		<b>3,080</b>
<b>Total for All Federal Awards</b>		<b>\$ 4,083,845</b>

**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.

**HOLLANDALE SCHOOL DISTRICT  
Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2014**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 6,503,155	4,989,184	711,625	266,551	535,795
Other	2,620,143	1,336,650	278,782	2,730	1,001,981
<b>Total</b>	<b>\$ 9,123,298</b>	<b>6,325,834</b>	<b>990,407</b>	<b>269,281</b>	<b>1,537,776</b>
Total number of students *	592				
Cost per student	\$ 15,411	10,686	1,673	455	2,598

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

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

OTHER INFORMATION

**HOLLANDALE SCHOOL DISTRICT**  
**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 1,338,426	\$ 1,266,201	\$ 1,284,411	\$ 1,328,442
State sources	3,622,003	3,475,968	3,555,770	3,349,825
Federal sources	94,987	19,343	97,612	262,869
<b>Total Revenues</b>	<b>5,055,416</b>	<b>4,761,512</b>	<b>4,937,793</b>	<b>4,941,136</b>
<b>Expenditures:</b>				
Instruction	2,559,118	2,904,471	2,495,354	2,607,521
Support services	2,340,618	2,769,558	2,089,285	1,924,170
Debt service:				
Principal	50,297	60,782	3,428	11,415
Interest	10,485	-	-	-
Other	-	-	-	222
<b>Total Expenditures</b>	<b>4,960,518</b>	<b>5,734,811</b>	<b>4,588,067</b>	<b>4,543,328</b>
Excess (Deficiency) of Revenues over (under) Expenditures	94,898	(973,299)	349,726	397,808
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		387,812		
Operating transfers in	672,932	271,260	264,632	200,765
Operating transfers out	(106,229)	(101,969)	(171,232)	(165,022)
Other financing uses	(82,369)	(2,289)		(480)
<b>Total Other Financing Sources (Uses)</b>	<b>484,334</b>	<b>554,814</b>	<b>93,400</b>	<b>35,263</b>
<b>Net Change in Fund Balances</b>	<b>579,232</b>	<b>(418,485)</b>	<b>443,126</b>	<b>433,071</b>
<b>Fund Balances:</b>				
Beginning of period,	1,052,717	1,471,202	1,028,076	595,005
End of Period	\$ 1,631,949	\$ 1,052,717	\$ 1,471,202	\$ 1,028,076

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**HOLLANDALE SCHOOL DISTRICT  
Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years  
UNAUDITED**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 1,434,217	\$ 1,362,098	\$ 1,458,170	\$ 1,403,591
Intermediate sources				11,513
State sources	3,869,494	3,917,079	3,993,168	3,774,907
Federal sources	4,057,407	4,621,113	4,337,907	4,556,479
Sixteenth section sources	192,624	157,944	181,169	177,790
<b>Total Revenues</b>	<b>9,553,742</b>	<b>10,058,234</b>	<b>9,970,414</b>	<b>9,924,280</b>
<b>Expenditures:</b>				
Instruction	4,517,859	4,926,409	4,577,982	4,954,782
Support services	4,094,194	5,105,844	4,423,156	4,887,606
Noninstructional services	435,495	504,517	498,173	497,335
Sixteenth section	10,293	7,130	5,925	6,040
Debt service:				
Principal	50,297	80,782	188,428	186,415
Interest	14,110	4,565	12,430	17,325
Other	1,050	1,050	1,050	772
<b>Total Expenditures</b>	<b>9,123,298</b>	<b>10,630,297</b>	<b>9,707,144</b>	<b>10,550,275</b>
Excess (Deficiency) of Revenues over (under) Expenditures	430,444	(572,063)	263,270	(625,995)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		387,812		1,450,000
Payments held by escrow agent	81,804	85,294	85,294	
Payment to QSCB debt escrow agent	(81,804)	(85,294)	(85,294)	
Operating transfers in	803,447	401,545	496,065	373,146
Operating transfers out	(803,447)	(401,545)	(496,065)	(373,146)
Other financing uses	(82,369)	(2,289)		(480)
<b>Total Other Financing Sources (Uses)</b>	<b>(82,369)</b>	<b>385,523</b>	<b>0</b>	<b>1,449,520</b>
<b>Net Change in Fund Balances</b>	<b>348,075</b>	<b>(186,540)</b>	<b>263,270</b>	<b>823,525</b>
<b>Fund Balances:</b>				
Beginning of period,	2,383,943	2,573,822	2,311,567	1,485,840
Increase (Decrease) in reserve for inventory	(2,335)	(3,339)	(1,015)	2,202
<b>End of Period</b>	<b>\$ 2,729,683</b>	<b>\$ 2,383,943</b>	<b>\$ 2,573,822</b>	<b>\$ 2,311,567</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



**WATKINS, WARD AND STAFFORD**

Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	J. Randy Scrivner, CPA
Harry W. Stevens, CPA	Kimberly S. Caskey, CPA
S. Keith Winfield, CPA	Susan M. Lummus, CPA
William B. Stagers, CPA	Thomas J. Browder, CPA
Aubrey R. Holder, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Michael L. Pierce, CPA	Ricky D. Allen, CPA
Marsha L. McDonald, CPA	Jason D. Brooks, CPA
Wanda S. Holley, CPA	Robert E. Cordle, CPA
Robin Y. McCormick, CPA/PFS	Perry C. Rackley, Jr., CPA

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

Superintendent and School Board  
Hollandale School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hollandale School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hollandale School District's basic financial statements, and have issued our report thereon dated March 3, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hollandale School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hollandale School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hollandale School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hollandale School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins, Ward & Stafford PLLC  
Jackson, Mississippi  
March 3, 2015

*Watkins Ward and Stafford, PLLC*



## WATKINS, WARD AND STAFFORD

Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS

J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, CPA  
Perry C. Rackley, Jr., CPA

### **Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133**

Superintendent and School Board  
Hollandale School District

#### **Report on Compliance for Each Major Federal Program**

We have audited Hollandale School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hollandale School District's major federal programs for the year ended June 30, 2014. Hollandale 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.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Hollandale School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 Hollandale School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hollandale School District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Hollandale School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

#### **Report on Internal Control Over Compliance**

Management of Hollandale School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hollandale School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hollandale School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward & Stafford PLLC  
Jackson, Mississippi  
March 3, 2015

*Watkins Ward and Stafford, PLLC*

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



**WATKINS, WARD AND STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	J. Randy Scrivner, CPA
Harry W. Stevens, CPA	Kimberly S. Caskey, CPA
S. Keith Winfield, CPA	Susan M. Lummus, CPA
William B. Stagers, CPA	Thomas J. Browder, CPA
Aubrey R. Holder, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Michael L. Pierce, CPA	Ricky D. Allen, CPA
Marsha L. McDonald, CPA	Jason D. Brooks, CPA
Wanda S. Holley, CPA	Robert E. Cordle, CPA
Robin Y. McCormick, CPA/PFS	Perry C. Rackley, Jr., CPA

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

Superintendent and School Board  
 Hollandale School District

We 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, 2014, which collectively comprise Hollandale School District's basic financial statements and have issued our report thereon dated March 3, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, we 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 our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported a zero balance 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended 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.

Watkins, Ward & Stafford PLLC  
 Jackson, Mississippi  
 March 3, 2015

*Watkins Ward and Stafford, PLLC*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements:

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued:                      | Unmodified    |
| 2. Internal control over financial reporting:            |               |
| a. Material weaknesses identified?                       | No            |
| b. Significant deficiencies identified?                  | None reported |
| 3. Noncompliance material to financial statements noted? | No            |

Federal Awards:

- |   |               |
|---|---------------|
| 4. Internal control over major programs:  |               |
| a. Material weakness identified?  | No            |
| b. Significant deficiency identified?   | None Reported |
| 5. Type of auditor's report issued on compliance for major programs:  | Unmodified    |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | None reported |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.377	SIG Cluster
84.010	Title I Cluster

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs:   | \$300,000 |
| 9. Auditee qualified as low-risk auditee?   | No        |
| 10. Prior fiscal year audit finding(s) and questioned costs 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. | No        |

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.