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HOLLANDALE SCHOOL DISTRICT

Audited Financial Statements
For year ended June 30, 2015

WATKINS, WARD & STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

HOLLANDALE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

WATKINS, WARD & STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITORS' 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 year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Hollandale School District's basic financial statements as listed in the 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.

Auditors' 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 auditors' 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 auditors consider 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, 2015, 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, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-12, 38-42, 43 and 44, respectively, 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 4, 2016, 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 4, 2016

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Hollandale School District's financial performance provides an overview of the School District's financial activities for year ended June 30, 2015. 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 financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$10,245,415, including a prior period adjustment of (\$9,736,667) due to the recording of the net pension liability, which represents a 275% decrease from fiscal year 2014. Total net position for 2014 increased \$213,796, which represents a 6% increase from fiscal year 2013.
- General revenues amounted to \$5,104,484 and \$5,239,230, or 66% and 55% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,648,489, or 34% of total revenues for 2015, and \$4,314,512, or 45% of total revenues for 2014.
- The District had \$8,261,721 and \$9,339,946 in expenses for fiscal years 2015 and 2014; only \$2,648,489 for 2015 and \$4,314,512 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,104,484 for 2015 were not adequate to provide for these programs. General revenues of \$5,239,230 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,019,831 in revenues and \$5,621,802 in expenditures for 2015, and \$5,055,416 in revenues and \$4,960,518 in expenditures in 2014. The General Fund's fund balance decreased by \$637,152 from 2014 to 2015, including a fund reclassification of \$44,936, and increased by \$579,232 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$181,875 for 2015 and decreased by \$186,521 for 2014. The decrease for 2015 was due to the increase in accumulated depreciation.
- Long-term debt decreased by \$52,211 for 2015 and decreased by \$53,724 for 2014. The decrease for 2015 was due primarily to the principal payment on outstanding long-term debt. The liability for compensated absences decreased by \$301 for 2015 and decreased by \$3,427 for 2014.

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 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

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2015

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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, pension expense 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

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2015

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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 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 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. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions are presented in this section.

Supplementary 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,516,595 as of June 30, 2015.

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 YEAR ENDED JUNE 30, 2015

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1
Condensed Statement of Net Position**

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 1,843,609	\$ 2,556,719	(27.89) %
Restricted assets	370,941	283,864	30.68 %
Capital assets, net	2,592,676	2,774,551	(6.56) %
Total assets	4,807,226	5,615,134	(14.39) %
Deferred outflows of resources	770,386	-	N/A %
Current liabilities	96,831	115,591	(16.23) %
Long-term debt outstanding	1,718,512	1,770,723	(2.95) %
Net pension liability	8,561,779	-	N/A %
Total liabilities	10,377,122	1,886,314	450.13 %
Deferred inflows of resources	1,717,085	-	N/A %
Net position:			
Net investment in capital assets	2,367,853	2,497,818	(5.20) %
Restricted	1,034,298	911,644	13.45 %
Unrestricted	(9,918,746)	319,358	(3,205.84) %
Total net position (deficit)	\$ (6,516,595)	\$ 3,728,820	(274.76) %

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (9,918,746)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	9,508,478
Unrestricted net position (deficit), exclusive of the net pension liability effect	<u>\$ (410,268)</u>

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 \$181,875.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The principal retirement of \$51,910 of long-term debt.
- The net pension liability in the amount of \$8,561,779.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2015

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$7,752,973 and \$9,553,742, respectively. The total cost of all programs and services was \$8,261,721 for 2015 and \$9,339,946 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 100,575	\$ 84,750	18.67 %
Operating grants and contributions	2,547,914	4,229,762	(39.76) %
General revenues:			
Property taxes	1,142,214	1,239,181	(7.83) %
Grants and contributions not restricted	3,678,905	3,697,138	(0.49) %
Investment earnings	11,475	8,848	29.69 %
Sixteenth section sources	166,768	187,786	(11.19) %
Other	105,122	106,277	(1.09) %
Total revenues	7,752,973	9,553,742	(18.85) %
Expenses:			
Instruction	3,882,818	4,686,054	(17.14) %
Support services	3,538,708	4,174,707	(15.23) %
Non-instructional	401,809	454,585	(11.61) %
Sixteenth section	17,486	10,293	69.88 %
Pension expense	408,636	-	N/A %
Interest on long-term liabilities	12,264	14,307	(14.28) %
Total expenses	8,261,721	9,339,946	(11.54) %
Increase (Decrease) in net position	(508,748)	213,796	(337.96) %
Net Position, July 1, as previously reported	3,728,820	3,515,024	6.08 %
Prior Period Adjustment	(9,736,667)	-	N/A %
Net Position, July 1, as restated	(6,007,847)	3,515,024	(270.92) %
Net Position (deficit), June 30	\$ (6,516,595)	\$ 3,728,820	(274.76) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2015

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 3,882,818	\$ 4,686,054	(17.14) %
Support services	3,538,708	4,174,707	(15.23) %
Non-instructional	401,809	454,585	(11.61) %
Sixteenth section	17,486	10,293	69.88 %
Pension Expense	408,636	-	N/A %
Interest on long-term liabilities	12,264	14,307	(14.28) %
Total expenses	<u>\$ 8,261,721</u>	<u>\$ 9,339,946</u>	(11.54) %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (2,624,982)	\$ (2,735,103)	(4.03) %
Support services	(2,521,278)	(2,344,895)	7.52 %
Non-instructional	(28,586)	74,364	(138.44) %
Sixteenth section	(17,486)	(5,493)	218.33 %
Pension Expense	(408,636)	-	N/A %
Interest on long-term liabilities	(12,264)	(14,307)	(14.28) %
Total net (expense) revenue	<u>\$ (5,613,232)</u>	<u>\$ (5,025,434)</u>	11.70 %

- Net cost of governmental activities (\$5,613,232 for 2015 and \$5,025,434 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$1,142,214 for 2015 and \$1,239,181 for 2014) and state and federal revenues (\$3,678,905 for 2015 and \$3,697,138 for 2014). In addition, there was \$166,768 and \$187,786 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$11,475 for 2015 and \$8,848 for 2014.

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 \$2,121,530, a decrease of \$608,153, which includes an increase in inventory of \$5,553. \$984,155, or 46%, 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 \$1,137,375, or 54%, 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 decrease in fund balance in the General Fund for the fiscal year was \$637,152, which includes a fund reclassification of \$44,936. The

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2015

fund balance of Other Governmental Funds showed a decrease in the amount of \$58,826, which includes a fund reclassification of (\$44,936) and an increase in inventory of \$5,553. 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
Special Education Fund	no increase or decrease
QSCB Sinking Fund	\$ 87,825

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, 2015, the District's total capital assets were \$5,388,308, including land, school buildings, buses, other school vehicles, and furniture and equipment. There were no additions or disposals of capital assets during the fiscal year. Total accumulated depreciation as of June 30, 2015, was \$2,795,632, and total depreciation expense for the year was \$181,875, resulting in total net capital assets of \$2,592,676.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 109,178	\$ 109,178	0.00 %
Buildings	1,948,725	2,004,881	(2.80) %
Mobile equipment	490,033	562,908	(12.95) %
Furniture and equipment	44,740	97,584	(54.15) %
Total	<u>\$ 2,592,676</u>	<u>\$ 2,774,551</u>	(6.56) %

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

Debt Administration. At June 30, 2015, the District had \$1,718,512 in outstanding long-term debt, of which \$55,758 is due within one year. During the fiscal year, the District made a principal payment in the amount of \$51,910 on outstanding long-term debt. The liability for compensated absences decreased \$301 from the prior year.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2015

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Installment purchase loans payable	\$ 224,823	\$ 276,733	(18.76) %
Qualified school construction bonds payable	1,450,000	1,450,000	0.00 %
Compensated absences payable	43,689	43,990	(0.68) %
Total	<u>\$ 1,718,512</u>	<u>\$ 1,770,723</u>	(2.95) %

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, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,691,477
Due from other governments	139,889
Accrued interest receivable	2,720
Inventories	9,523
Restricted assets	370,941
Capital assets, non-depreciable:	
Land	109,178
Capital assets, net of accumulated depreciation:	
Buildings	1,948,725
Mobile equipment	490,033
Furniture and equipment	44,740
Total Assets	<u>4,807,226</u>
Deferred Outflows of Resources	
Deferred outflow related to pensions	770,386
Total Deferred Outflows of Resources	<u>770,386</u>
Liabilities	
Accounts payable and accrued liabilities	46,218
Unearned revenue	46,802
Interest payable on long-term liabilities	3,811
Long-term liabilities, due within one year:	
Capital related liabilities	53,574
Non-capital related liabilities	2,184
Long-term liabilities, due beyond one year:	
Capital related liabilities	171,249
Non-capital related liabilities	1,491,505
Net pension liability	8,561,779
Total Liabilities	<u>10,377,122</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	1,717,085
Total Deferred Inflows of Resources	<u>1,717,085</u>
Net Position	
Net investment in capital assets	2,367,853
Restricted for:	
Expendable:	
School-based activities	317,081
Debt service	439,492
Capital improvements	217,293
Forestry improvements	4,876
Unemployment benefits	30,379
Non-expendable:	
Sixteenth section	25,177
Unrestricted	(9,918,746)
Total Net Position (deficit)	<u>\$ (6,516,595)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

HOLLANDALE SCHOOL DISTRICT

Statement of Activities
For Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 3,882,818	\$ 86,050	\$ 1,171,786	\$ -	\$ (2,624,982)
Support services	3,538,708	-	1,017,430	-	(2,521,278)
Non-instructional	401,809	14,525	358,698	-	(28,586)
Sixteenth section	17,486	-	-	-	(17,486)
Pension expense	408,636	-	-	-	(408,636)
Interest on long-term liabilities	12,264	-	-	-	(12,264)
Total Governmental Activities	\$ 8,261,721	\$ 100,575	\$ 2,547,914	\$ -	\$ (5,613,232)

General Revenues:

Taxes:

General purpose levies	1,078,136
Debt purpose levies	64,078

Unrestricted grants and contributions:

State	3,624,066
Federal	54,839
Unrestricted investment earnings	11,475
Sixteenth section sources	166,768
Other	105,122

Total General Revenues 5,104,484

Change in Net Position (508,748)

Net Position - Beginning, as previously reported 3,728,820
Prior Period Adjustment (9,736,667)

Net Position - Beginning, as restated (6,007,847)

Net Position (deficit) - Ending \$ (6,516,595)

The accompanying notes to financial statements are an integral part of these financial statements.

**HOLLANDALE SCHOOL DISTRICT
Governmental Funds**

**Balance Sheet
June 30, 2015**

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Title I Basic Fund	School Improvement Fund	Special Education Fund	QSCB Sinking Fund	Other Governmental Funds		
Assets								
Cash and cash equivalents	\$ 898,267	\$ -	\$ 41,597	\$ -	\$ -	776,790		1,716,654
Cash with fiscal agents	-	-	-	-	4,270	-		4,270
Investments	-	-	-	-	341,494	-		341,494
Due from other governments	53,811	46,289	-	21,682	-	18,107		139,889
Accrued interest receivable	-	-	-	-	2,720	-		2,720
Due from other funds	80,867	-	-	-	-	-		80,867
Inventories	-	-	-	-	-	9,523		9,523
Total assets	\$ 1,032,945	\$ 46,289	\$ 41,597	\$ 21,682	\$ 348,484	\$ 804,420		2,295,417
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 38,148	\$ 1,253	\$ 4,432	\$ 1,090	\$ -	1,295		46,218
Due to other funds	-	45,036	-	20,592	-	15,239		80,867
Unavailable revenue - federal programs	-	-	37,165	-	-	9,637		46,802
Total Liabilities	38,148	46,289	41,597	21,682	-	26,171		173,887
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	9,523		9,523
Permanent fund principal	-	-	-	-	-	25,177		25,177
Restricted:								
Debt service	-	-	-	-	348,484	94,819		443,303
Capital projects	-	-	-	-	-	217,293		217,293
Forestry improvement purposes	-	-	-	-	-	4,876		4,876
Grant activities	-	-	-	-	-	138,927		138,927
Unemployment benefits	-	-	-	-	-	30,379		30,379
Child nutrition	-	-	-	-	-	168,631		168,631
Assigned:								
Capital projects	-	-	-	-	-	88,624		88,624
Activity funds	10,642	-	-	-	-	-		10,642
Unassigned	984,155	-	-	-	-	-		984,155
Total Fund Balances	994,797	-	-	-	348,484	778,249		2,121,530
Total Liabilities and Fund Balances	\$ 1,032,945	\$ 46,289	\$ 41,597	\$ 21,682	\$ 348,484	\$ 804,420		2,295,417

The accompanying notes to financial statements are an integral part of these financial statements.

HOLLANDALE SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Exhibit C-1

Total fund balances for governmental funds \$ 2,121,530

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>(2,795,632)</u>	2,592,676

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability		(8,561,779)
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Deferred outflows and inflows of resources related to pensions are applicable to

Deferred outflows of resources related to pensions	770,386	
Deferred inflows of resources related to pensions	<u>(1,717,085)</u>	(946,699)

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

Other bonds payable	(1,450,000)	
Loans payable	(224,823)	
Compensated absences	(43,689)	
Accrued interest payable	<u>(3,811)</u>	(1,722,323)

Net Position of governmental activities(deficit)		<u>\$ (6,516,595)</u>
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The accompanying notes to financial statements are an integral part of these financial statements.

**HOLLANDALE SCHOOL DISTRICT
Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances
For Year Ended June 30, 2015**

Exhibit D

	Major Funds							Total Governmental Funds
	General Fund	Title I Basic Fund	School Improvement Fund	Special Education Fund	QSCB Sinking Fund	Other Governmental Funds		
Revenues:								
Local sources	\$ 1,266,391	\$ 23	\$ -	\$ -	\$ 8,140	\$ 84,795		1,359,349
State sources	3,531,834	-	-	-	-	294,807		3,826,641
Federal sources	54,838	937,840	653,367	214,596	-	539,536		2,400,177
Sixteenth section sources	166,768	-	-	-	-	38		166,806
Total Revenues	5,019,831	937,863	653,367	214,596	8,140	919,176		7,752,973
Expenditures:								
Instruction	2,884,550	702,742	217,620	73,193	-	303,836		4,181,941
Support services	2,669,175	206,966	435,315	141,378	-	233,548		3,686,382
Noninstructional services	-	6,494	432	25	-	397,289		404,240
Sixteenth section	7,295	-	-	-	-	10,191		17,486
Debt service:								
Principal	51,910	-	-	-	-	-		51,910
Interest	8,872	-	-	-	-	3,625		12,497
Other	-	-	-	-	-	647		647
Total Expenditures	5,621,802	916,202	653,367	214,596	-	949,136		8,355,103
Excess (Deficiency) of Revenues over (under) Expenditures	(601,971)	21,661	-	-	8,140	(29,960)		(602,130)
Other Financing Sources (Uses):								
Payments held by escrow agent	-	-	-	-	79,685	-		79,685
Payment to QSCB debt escrow agent	-	-	-	-	-	(79,685)		(79,685)
Operating transfers in	51,699	-	-	-	-	153,739		205,438
Operating transfers out	(120,240)	(21,661)	-	-	-	(63,537)		(205,438)
Other financing uses	(11,576)	-	-	-	-	-		(11,576)
Total Other Financing Sources (Uses)	(80,117)	(21,661)	-	-	79,685	10,517		(11,576)
Net Change in Fund Balances	(682,088)	-	-	-	87,825	(19,443)		(613,706)
Fund Balances:								
July 1, 2014, as previously reported	1,631,949	-	-	-	260,659	837,075		2,729,683
Fund reclassification	44,936	-	-	-	-	(44,936)		-
July 1, 2014, as restated	1,676,885	-	-	-	260,659	792,139		2,729,683
Increase in inventory	-	-	-	-	-	5,553		5,553
June 30, 2015	\$ 994,797	\$ -	\$ -	\$ -	\$ 348,484	\$ 778,249		2,121,530

The accompanying notes to financial statements are an integral part of these financial statements.

**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, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (613,706)**

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	\$ -	
Depreciation expense	(181,875)	(181,875)

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 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	51,910	
Accrued interest payable	880	52,790

3. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(408,636)	
Recording of contributions made subsequent to the measurement date	636,825	228,189

4. 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	301	
Change in inventory	5,553	5,854

Change in Net Position of governmental activities **\$ (508,748)**

The accompanying notes to financial statements are an integral part of these financial statements.

HOLLANDALE SCHOOL DISTRICT
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 251,118
Total Assets	<u>\$ 251,118</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 248,637
Due to student clubs	<u>2,481</u>
Total Liabilities	<u>\$ 251,118</u>

The accompanying notes to financial statements are an integral part of these financial statements.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

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 these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net 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.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported 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.

Special Education Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to assist the District in providing free appropriate public education to all children with disabilities.

QSCB Sinking Fund - This is a debt service fund that accounts for annual sinking fund payments made by the District to a fiscal agent, and the investment of those funds to be used for the future retirement of the Qualified School Construction Bonds.

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 Financial Statements
For Year Ended June 30, 2015

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 Financial Statements
For Year Ended June 30, 2015

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, deferred outflows/inflows, 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 Financial Statements
For Year Ended June 30, 2015

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 16th 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:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 15 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 15 for further details.

8. 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.

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. 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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

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

Nonspendable 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 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.

F. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,716,654 and \$251,118, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$1,691,477 and a portion of restricted assets in the amount of \$25,177. The bank balance was \$2,276,356.

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, 2015, none of the district's bank balance of \$2,276,356 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 \$4,270.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS	N/A	less than 1	\$ 341,494
Total			<u>\$ 341,494</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, 2015, 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.

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	\$ 45,036
	Special Education Fund	20,592
	Other governmental funds	<u>15,239</u>
Total		<u>\$ 80,867</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	\$ 120,240
Title I Basic Fund	General Fund	21,661
Other governmental funds	General Fund	30,038
	Other governmental funds	<u>33,499</u>
Total		<u>\$ 205,438</u>

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

Operating transfers were primarily for the following: indirect cost transfers, vocational education expenditure transfers, unemployment transfers, debt service transfers, the transfer of expendable sixteenth section sources, and other routine operating transfers.

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 \$4,270 and \$341,494, respectively, of the QSCB Bond Retirement Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 109,178			\$ 109,178
Total non-depreciable capital assets	109,178	-	-	109,178
<u>Depreciable capital assets:</u>				
Buildings	3,397,556			3,397,556
Mobile equipment	1,207,429			1,207,429
Furniture and equipment	674,145			674,145
Total depreciable capital assets	5,279,130	-	-	5,279,130
<u>Less accumulated depreciation for:</u>				
Buildings	1,392,675	56,156		1,448,831
Mobile equipment	644,521	72,875		717,396
Furniture and equipment	576,561	52,844		629,405
Total accumulated depreciation	2,613,757	181,875	-	2,795,632
Total depreciable capital assets, net	2,665,373	(181,875)	-	2,483,498
Governmental activities capital assets, net	\$ 2,774,551	\$ (181,875)	-	\$ 2,592,676

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 88,519
Support services	76,429
Non-instructional	16,927
Total depreciation expense - Governmental activities	\$ 181,875

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Installment purchases loans payable	\$ 276,733		\$ 51,910	\$ 224,823	\$ 53,574
B. Qualified school construction bonds payable	1,450,000			1,450,000	-
C. Compensated absences payable	43,990		301	43,689	2,184
Total	<u>\$ 1,770,723</u>	<u>-</u>	<u>\$ 52,211</u>	<u>\$ 1,718,512</u>	<u>\$ 55,758</u>

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	\$ 224,823
Total				<u>\$ 387,812</u>	<u>\$ 224,823</u>

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

Year Ending June 30	Principal	Interest	Total
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
Total	<u>\$ 224,823</u>	<u>\$ 18,305</u>	<u>\$ 243,128</u>

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

B. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

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

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. 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, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

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, 2015, 2014 and 2013 were \$636,825, \$678,841 and \$655,150, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$8,561,779 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, The school district's proportion was 0.070536% percent.

For year ended June 30, 2015, the District recognized pension expense of \$408,636. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133,561	\$
Net difference between projected and actual earnings on pension plan investments		1,241,093
Change in proportionate share		475,992
District contributions subsequent to the measurement date	636,825	
Total	\$ 770,386	\$ 1,717,085

\$636,825 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (433,450)
2017	(433,450)
2018	(406,351)
2019	(310,273)

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 11,672,258	\$ 8,561,779	\$ 5,967,177

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

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

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 19,831
2017	4,480
Total	<u>\$ 24,311</u>

Note 9 – Prior Period Adjustment

A summary of the prior period adjustment to Net Position/Fund Balance is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (10,415,508)
Deferred outflows - contributions made during fiscal year 2014	<u>678,841</u>
Total prior period adjustment related to GASB 68 and 71	<u>\$ (9,736,667)</u>
Total	<u>\$ (9,736,667)</u>

Note 10 – Fund Reclassification

A fund reclassification in the amount of \$44,936 was made to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

Note 11 – 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.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 12 – 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.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

Note 13 – 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 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, 2015 was \$348,484, which included accrued income of \$2,720. 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
2016	\$ 85,294
2017	85,294
2018	85,294
2019	85,294
2020	85,294
2021 – 2025	426,470
2026 – 2028	255,884
Total	<u>\$ 1,108,824</u>

Note 14 – 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.

HOLLANDALE SCHOOL DISTRICT
Notes to Financial Statements
For Year Ended June 30, 2015

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$9,918,746) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$636,825 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$133,561 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 3 years. The \$1,717,085 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years.

Note 16 - 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 4, 2016, 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 Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,289,716	\$ 1,266,391	\$ 1,266,391	\$ (23,325)	\$ -
State sources	3,546,820	3,531,834	3,531,834	(14,986)	-
Federal sources	40,000	54,838	54,838	14,838	-
Sixteenth section sources	-	166,768	166,768	166,768	-
Total Revenues	4,876,536	5,019,831	5,019,831	143,295	-
Expenditures:					
Instruction	2,765,012	2,884,550	2,884,550	(119,538)	-
Support services	2,330,181	2,669,175	2,669,175	(338,994)	-
Sixteenth section	-	7,295	7,295	(7,295)	-
Debt service:					
Principal	61,000	51,910	51,910	9,090	-
Interest	-	8,872	8,872	(8,872)	-
Total Expenditures	5,156,193	5,621,802	5,621,802	(465,609)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(279,657)	(601,971)	(601,971)	(322,314)	-
Other Financing Sources (Uses):					
Operating transfers in	381,000	311,562	51,699	(69,438)	(259,863)
Operating transfers out	(101,538)	(380,103)	(120,240)	(278,565)	259,863
Other financing uses	-	(11,576)	(11,576)	(11,576)	-
Total Other Financing Sources (Uses)	279,462	(80,117)	(80,117)	(359,579)	-
Net Change in Fund Balances	(195)	(682,088)	(682,088)	(681,893)	-
Fund Balances:					
July 1, 2014, as previously reported	1,545,692	1,676,885	1,631,949	131,193	(44,936)
Fund reclassification	-	-	44,936	-	44,936
July 1, 2014, as restated	1,545,692	1,676,885	1,676,885	131,193	-
June 30, 2015	\$ 1,545,497	\$ 994,797	\$ 994,797	\$ (550,700)	\$ -

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

**Title I Basic Fund
For Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 23	\$ 23	\$ 23	\$ -
Federal sources	790,459	937,840	937,840	147,381	-
Total Revenues	790,459	937,863	937,863	147,404	-
Expenditures:					
Instruction	717,366	702,742	702,742	14,624	-
Support services	225,542	206,966	206,966	18,576	-
Noninstructional services	12,933	6,494	6,494	6,439	-
Total Expenditures	955,841	916,202	916,202	39,639	-
Excess (Deficiency) of Revenues over (under) Expenditures	(165,382)	21,661	21,661	187,043	-
Other Financing Sources (Uses):					
Operating transfers out	(25,976)	(21,661)	(21,661)	4,315	-
Total Other Financing Sources (Uses)	(25,976)	(21,661)	(21,661)	4,315	-
Net Change in Fund Balances	(191,358)	-	-	191,358	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ (191,358)	\$ -	\$ -	\$ 191,358	\$ -

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

HOLLANDALE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
School Improvement Fund
For Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 420,000	\$ 690,532	\$ 653,367	\$ 270,532	\$ (37,165)
Total Revenues	420,000	690,532	653,367	270,532	(37,165)
Expenditures:					
Instruction	117,124	217,620	217,620	(100,496)	-
Support services	302,876	435,315	435,315	(132,439)	-
Noninstructional services	-	432	432	(432)	-
Total Expenditures	420,000	653,367	653,367	(233,367)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	37,165	-	37,165	(37,165)
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	37,165	-	37,165	(37,165)
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ 37,165	\$ -	\$ 37,165	\$ (37,165)

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

**HOLLANDALE SCHOOL DISTRICT
Required Supplementary Information**

**Budgetary Comparison Schedule
Special Education Fund
For Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 226,571	\$ 214,596	\$ 214,596	\$ (11,975)	\$ -
Total Revenues	226,571	214,596	214,596	(11,975)	-
Expenditures:					
Instruction	85,449	73,193	73,193	12,256	-
Support services	171,927	141,378	141,378	30,549	-
Noninstructional services	500	25	25	475	-
Total Expenditures	257,876	214,596	214,596	43,280	-
Excess (Deficiency) of Revenues over (under) Expenditures	(31,305)	-	-	31,305	-
Other Financing Sources (Uses):					
Operating transfers out	(500)	-	-	500	-
Total Other Financing Sources (Uses)	(500)	-	-	500	-
Net Change in Fund Balances	(31,805)	-	-	31,805	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ (31,805)	\$ -	\$ -	\$ 31,805	\$ -

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

HOLLANDALE SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.070536%
District's proportionate share of the net pension liability (asset)	\$ 8,561,779
District's covered-employee payroll	4,310,102
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.64%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HOLLANDALE SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contribution	\$ 636,825
Contributions in relation to the contractually required contribution	\$ 636,825
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	4,043,333
Contributions as a percentage of covered-employee payroll	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HOLLANDALE SCHOOL DISTRICT
Notes to Required Supplementary Information
For Year Ended June 30, 2015

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, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 117,750
National school lunch program	10.555	300,386
Total child nutrition cluster		418,136
Total passed-through Mississippi Department of Education		418,136
Total U.S. Department of Agriculture		418,136
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	43,310
Total Federal Communications Commission		43,310
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	937,863
Rural education	84.358	12,055
Improving Teacher Quality State grants	84.367	116,856
Subtotal		1,066,774
Special education cluster:		
Special education - grants to states	84.027	214,596
Special education - preschool grants	84.173	6,012
Total special education cluster		220,608
School Improvement Grant cluster:		
School Improvement Grant	84.377	653,367
Total School Improvement Grant Cluster		653,367
Total passed-through Mississippi Department of Education		1,940,749
Total U.S. Department of Education		1,940,749
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	11,529
Total U.S. Department of Health and Human Services		11,529
Total for All Federal Awards		\$ 2,413,724

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 Year Ended June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 5,697,070	4,249,362	380,129	243,015	824,564
Other	2,658,033	1,057,373	277,115	6,401	1,317,144
Total	<u>\$ 8,355,103</u>	<u>5,306,735</u>	<u>657,244</u>	<u>249,416</u>	<u>2,141,708</u>
Total number of students *	<u>573</u>				
Cost per student	<u>\$ 14,581</u>	<u>9,261</u>	<u>1,147</u>	<u>435</u>	<u>3,738</u>

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**

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 1,266,391	\$ 1,338,426	\$ 1,266,201	\$ 1,284,411
State sources	3,531,834	3,622,003	3,475,968	3,555,770
Federal sources	54,838	94,987	19,343	97,612
Sixteenth section sources	166,768			
Total Revenues	5,019,831	5,055,416	4,761,512	4,937,793
Expenditures:				
Instruction	2,884,550	2,559,118	2,904,471	2,495,354
Support services	2,669,175	2,340,618	2,769,558	2,089,285
Sixteenth section	7,295			
Debt service:				
Principal	51,910	50,297	60,782	3,428
Interest	8,872	10,485	-	-
Other	-	-	-	-
Total Expenditures	5,621,802	4,960,518	5,734,811	4,588,067
Excess (Deficiency) of Revenues over (under) Expenditures	(601,971)	94,898	(973,299)	349,726
Other Financing Sources (Uses):				
Bonds and notes issued			387,812	
Operating transfers in	51,699	672,932	271,260	264,632
Operating transfers out	(120,240)	(106,229)	(101,969)	(171,232)
Other financing uses	(11,576)	(82,369)	(2,289)	
Total Other Financing Sources (Uses)	(80,117)	484,334	554,814	93,400
Net Change in Fund Balances	(682,088)	579,232	(418,485)	443,126
Fund Balances:				
Beginning of period,	1,631,949	1,052,717	1,471,202	1,028,076
Fund reclassification	44,936	-	-	-
	1,676,885	1,052,717	1,471,202	1,028,076
End of Period	\$ 994,797	\$ 1,631,949	\$ 1,052,717	\$ 1,471,202

*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

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 1,359,349	\$ 1,434,217	\$ 1,362,098	\$ 1,458,170
State sources	3,826,641	3,869,494	3,917,079	3,993,168
Federal sources	2,400,177	4,057,407	4,621,113	4,337,907
Sixteenth section sources	166,806	192,624	157,944	181,169
Total Revenues	7,752,973	9,553,742	10,058,234	9,970,414
Expenditures:				
Instruction	4,181,941	4,517,859	4,926,409	4,577,982
Support services	3,686,382	4,094,194	5,105,844	4,423,156
Noninstructional services	404,240	435,495	504,517	498,173
Sixteenth section	17,486	10,293	7,130	5,925
Debt service:				
Principal	51,910	50,297	80,782	188,428
Interest	12,497	14,110	4,565	12,430
Other	647	1,050	1,050	1,050
Total Expenditures	8,355,103	9,123,298	10,630,297	9,707,144
Excess (Deficiency) of Revenues over (under) Expenditures	(602,130)	430,444	(572,063)	263,270
Other Financing Sources (Uses):				
Bonds and notes issued			387,812	
Payments held by escrow agent	79,685	81,804	85,294	85,294
Payment to QSCB debt escrow agent	(79,685)	(81,804)	(85,294)	(85,294)
Operating transfers in	205,438	803,447	401,545	496,065
Operating transfers out	(205,438)	(803,447)	(401,545)	(496,065)
Other financing uses	(11,576)	(82,369)	(2,289)	
Total Other Financing Sources (Uses)	(11,576)	(82,369)	385,523	-
Net Change in Fund Balances	(613,706)	348,075	(186,540)	263,270
Fund Balances:				
Beginning of period,	2,729,683	2,383,943	2,573,822	2,311,567
Increase (Decrease) in reserve for inventory	5,553	(2,335)	(3,339)	(1,015)
End of Period	\$ 2,121,530	\$ 2,729,683	\$ 2,383,943	\$ 2,573,822

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD AND STAFFORD
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 Certified Public Accountants

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 Perry C. Rackley, Jr., CPA

INDEPENDENT AUDITORS' 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 year ended June 30, 2015, and the related notes to financial statements, which collectively comprise Hollandale School District's basic financial statements, and have issued our report thereon dated March 4, 2016.

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 4, 2016

Watkins Ward and Stafford, PLLC



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**Independent Auditors' 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 year ended June 30, 2015. Hollandale School District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 year ended June 30, 2015.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2015-1 to be a significant deficiency not considered to be a material weakness.

Hollandale School District's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Hollandale School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 4, 2016

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



WATKINS, WARD AND STAFFORD
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**INDEPENDENT AUDITORS' 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 year ended June 30, 2015, which collectively comprise Hollandale School District's basic financial statements and have issued our report thereon dated March 4, 2016. 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, the Office of the State Auditor 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 4, 2016

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hollandale School District
 Schedule of Findings and Questioned Costs
 For year ended June 30, 2015

Section I: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditors' 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? | None reported |
| | b. Significant deficiency identified? | Yes |
| 5. | Type of auditors' 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? | Yes |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555	Child Nutrition Cluster
84.010	Title I

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | 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

Significant Deficiency Not Considered to be a Material Weakness:

2015-01

Program: School Improvement Fund – CFDA# 84.377

Compliance requirement: Cash Management

During testing, the auditors noted an excessive cash balance within this federal reimbursable fund.

The excessive cash balance was caused due to weak internal controls in cash management during the current year.

This weakness in internal controls could cause the district to have questioned cost and be required to reimburse federal programs the interest earned on federal funds.

Recommendation:

The district should implement stronger internal controls to ensure that reimbursements are requested in accordance with federal funding guidelines.

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

Hollandale School District
Post Office Box 128
Hollandale, MS 38748
Angela Johnson - Superintendent
Gwendolyn Williams, Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____, 315(c) of OMB Circular A-133, the Hollandale School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for year ended June 30, 2015:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
----------------	---------------------------------------

2015-01	<u>Federal Award Finding</u>
---------	------------------------------

- A. Name of contact person responsible for Corrective Action:
Name: Candace Jernigan
Title: School Improvement Program Coordinator

- B. Corrective Action Planned:

Management has implemented the necessary controls in Federal Program Department to ensure that budgets and expenditures are implemented timely and that all funds are expended in accordance with approved program.