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HOLLANDALE SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2012

HOLLANDALE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Hollandale School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2012, which collectively comprise the Hollandale School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hollandale School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The management of Hollandale School District did not maintain adequate subsidiary records documenting the completeness, existence, and valuation of furniture and equipment, net of accumulated depreciation, reported on the Statement of Net Assets at \$132,796 as of June 30, 2012. Accordingly, we were unable to satisfy ourselves as to the fair presentation of these capital assets and related transactions of the governmental activities.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate furniture and equipment subsidiary records as described in the preceding paragraph the financial statements referred to previously 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 supplemental 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollandale School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollandale School District's basic financial statements. The 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
January 31, 2014

*Watkins Ward and Stafford, PLLC*

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

The following discussion and analysis of Hollandale School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

- Total net assets for 2012 increased \$345,216, which represents a 10% increase from fiscal year 2011. Total net assets for 2011 decreased \$339,200, which represents a 9% decrease from fiscal year 2010.
- General revenues amounted to \$5,430,775 and \$5,750,752, or 54% and 58% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,539,639, or 46% of total revenues for 2012, and \$4,173,528, or 42% of total revenues for 2011.
- The District had \$9,625,198 and \$10,263,480 in expenses for fiscal years 2012 and 2011; only \$4,539,639 for 2012 and \$4,173,528 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,430,775 for 2012 were adequate to provide for these programs. However, general revenues of \$5,750,752 for 2011 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$4,937,793 in revenues and \$4,588,067 in expenditures for 2012, and \$4,941,136 in revenues and \$4,543,328 in expenditures in 2011. The General Fund's fund balance increased by \$443,126 from 2011 to 2012, and increased by \$433,071 from 2010 to 2011.
- Capital assets, net of accumulated depreciation, decreased by \$113,175 for 2012 and increased by \$77,121 for 2011. The decrease for 2012 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$194,718 for 2012 and increased by \$1,243,361 for 2011. The decrease for 2012 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$6,290 for 2012 and decreased by \$20,224 for 2011.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental 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 Assets 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 Assets presents information on all the District's non-fiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

deteriorating.

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

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

### **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

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

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

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

**Notes to the financial statements**

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

**Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplemental Information**

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

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$3,764,486 as of June 30, 2012.

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

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

**Table 1**  
**Condensed Statement of Net Assets**

|  | <u>June 30, 2012</u>       | <u>June 30, 2011</u>       | <u>Percentage<br/>Change</u> |
|--|----------------------------|----------------------------|------------------------------|
| Current assets                                     | \$ 2,421,543               | \$ 2,190,794               | 10.53 %                      |
| Restricted assets                                  | 233,445                    | 186,204                    | 25.37 %                      |
| Capital assets, net                                | 2,704,234                  | 2,817,409                  | (4.02) %                     |
| <b>Total assets</b>                                | <b><u>5,359,222</u></b>    | <b><u>5,194,407</u></b>    | <b>3.17 %</b>                |
| Current liabilities                                | 81,323                     | 67,006                     | 21.37 %                      |
| Long-term debt outstanding                         | 1,513,413                  | 1,708,131                  | (11.40) %                    |
| <b>Total liabilities</b>                           | <b><u>1,594,736</u></b>    | <b><u>1,775,137</u></b>    | <b>(10.16) %</b>             |
| <b>Net assets:</b>                                 |                            |                            |                              |
| Invested in capital assets, net of<br>related debt | 2,684,234                  | 2,608,981                  | 2.88 %                       |
| Restricted   | 1,102,463                  | 973,474                    | 13.25 %                      |
| Unrestricted                                       | (22,211)                   | (163,185)                  | 86.39 %                      |
| <b>Total net assets</b>                            | <b><u>\$ 3,764,486</u></b> | <b><u>\$ 3,419,270</u></b> | <b>10.10 %</b>               |

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

- Decrease in net capital assets in the amount of \$113,175.
- The principal retirement of \$188,428 of long-term debt.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$9,970,414 and \$9,924,280, respectively. The total cost of all programs and services was \$9,625,198 for 2012 and \$10,263,480 for 2011.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

**Table 2  
Changes in Net Assets**

|  | <u>Year Ended<br/>June 30, 2012</u> | <u>Year Ended<br/>June 30, 2011</u> | <u>Percentage<br/>Change</u> |
|--|-------------------------------------|-------------------------------------|------------------------------|
| <b>Revenues:</b>                                     |                                     |                                     |                              |
| Program revenues:                                    |                                     |                                     |                              |
| Charges for services                                 | \$ 115,832                          | \$ 110,664                          | 4.67 %                       |
| Operating grants and contributions                   | 4,423,807                           | 4,062,864                           | 8.88 %                       |
| General revenues:                                    |                                     |                                     |                              |
| Property taxes                                       | 1,141,046                           | 1,136,651                           | 0.39 %                       |
| Grants and contributions not restricted              | 3,907,269                           | 4,268,522                           | (8.46) %                     |
| Investment earnings                                  | 20,896                              | 18,658                              | 11.99 %                      |
| Sixteenth section sources                            | 180,916                             | 177,537                             | 1.90 %                       |
| Other  | 180,648                             | 149,384                             | 20.93 %                      |
| <b>Total revenues</b>                                | <b><u>9,970,414</u></b>             | <b><u>9,924,280</u></b>             | <b>0.46 %</b>                |
| <b>Expenses:</b>                                     |                                     |                                     |                              |
| Instruction  | 4,639,993                           | 4,927,024                           | (5.83) %                     |
| Support services                                     | 4,465,440                           | 4,796,838                           | (6.91) %                     |
| Non-instructional                                    | 501,778                             | 516,794                             | (2.91) %                     |
| Sixteenth section                                    | 5,925                               | 6,040                               | (1.90) %                     |
| Interest and other expenses on long-term liabilities | 12,062                              | 16,784                              | (28.13) %                    |
| <b>Total expenses</b>                                | <b><u>9,625,198</u></b>             | <b><u>10,263,480</u></b>            | <b>(6.22) %</b>              |
| <b>Increase (Decrease) in net assets</b>             | <b><u>345,216</u></b>               | <b><u>(339,200)</u></b>             | <b>201.77 %</b>              |
| <b>Net Assets, July 1</b>                            | <b><u>3,419,270</u></b>             | <b><u>3,758,470</u></b>             | <b>(9.02) %</b>              |
| <b>Net Assets, June 30</b>                           | <b><u>\$ 3,764,486</u></b>          | <b><u>\$ 3,419,270</u></b>          | <b>10.10 %</b>               |

**Governmental activities**

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

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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

|                                   | <u>Total Expenses</u>      |                             | <u>Percentage<br/>Change</u> |
|-----------------------------------|----------------------------|-----------------------------|------------------------------|
|                                   | <u>2012</u>                | <u>2011</u>                 |                              |
| Instruction                       | \$ 4,639,993               | \$ 4,927,024                | (5.83) %                     |
| Support services                  | 4,465,440                  | 4,796,838                   | (6.91) %                     |
| Non-instructional                 | 501,778                    | 516,794                     | (2.91) %                     |
| Sixteenth section                 | 5,925                      | 6,040                       | (1.90) %                     |
| Interest on long-term liabilities | 12,062                     | 16,784                      | (28.13) %                    |
| <b>Total expenses</b>             | <b><u>\$ 9,625,198</u></b> | <b><u>\$ 10,263,480</u></b> | <b>(6.22) %</b>              |

|                                    | <u>Net (Expense) Revenue</u> |                              | <u>Percentage<br/>Change</u> |
|------------------------------------|------------------------------|------------------------------|------------------------------|
|                                    | <u>2012</u>                  | <u>2011</u>                  |                              |
| Instruction                        | \$ (2,653,191)               | \$ (3,102,226)               | (14.47) %                    |
| Support services                   | (2,444,749)                  | (3,003,470)                  | (18.60) %                    |
| Non-instructional                  | 30,368                       | 38,568                       | (21.26) %                    |
| Sixteenth section                  | (5,925)                      | (6,040)                      | (1.90) %                     |
| Interest on long-term liabilities  | (12,062)                     | (16,784)                     | (28.13) %                    |
| <b>Total net (expense) revenue</b> | <b><u>\$ (5,085,559)</u></b> | <b><u>\$ (6,089,952)</u></b> | <b>(16.49) %</b>             |

- Net cost of governmental activities (\$5,085,559 for 2012 and \$6,089,952 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$1,141,046 for 2012 and \$1,136,651 for 2011) and state and federal revenues (\$3,907,269 for 2012 and \$4,268,522 for 2011). In addition, there was \$180,916 and \$177,537 in Sixteenth Section sources for 2012 and 2011, respectively.
- Investment earnings amounted to \$20,896 for 2012 and \$18,658 for 2011.

## 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 \$2,573,822, an increase of \$262,255, which includes a decrease in reserve for inventory of \$1,015. \$1,449,436, or 56%, 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 \$1,124,386, or 44%, is non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$443,126. The fund balance of Other Governmental Funds showed a decrease in the amount of \$180,871, which includes a decrease in reserve for inventory of \$1,015. The

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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    |
| Youthbuild Program Fund | no increase or decrease    |

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Significant budget revisions made during the fiscal year are explained as follows:

- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts.
- Budgeted amounts for revenue from federal sources in the General Fund were increased to reflect E-Rate revenue received during the fiscal year that was not included in the original budget and to reflect an increase in other federal revenue from amounts originally budgeted.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year primarily to reflect a decrease in salaries and benefits at the kindergarten and high school levels. Also, salaries and benefits were budgeted at the gifted education and alternative school program levels but salary expenditures for these programs were not incurred during the fiscal year.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funding were revised during the fiscal year to reflect actual revenue received and expenditures incurred during the fiscal year.

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 supplemental information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2012, the District's total capital assets were \$4,960,771, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$51,470 from 2011, due to the purchase of various items of furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2012, was \$2,256,537, and total depreciation expense for the year was \$164,645, resulting in total net capital assets of \$2,704,234.

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

|                         | <u>June 30, 2012</u> | <u>June 30, 2011</u> | <u>Percentage Change</u> |
|-------------------------|----------------------|----------------------|--------------------------|
| Land                    | \$ 109,178           | \$ 109,178           | 0.00 %                   |
| Buildings               | 2,117,192            | 2,173,348            | (2.58) %                 |
| Mobile equipment        | 345,068              | 392,292              | (12.04) %                |
| Furniture and equipment | 132,796              | 142,591              | (6.87) %                 |
| <b>Total</b>            | <b>\$ 2,704,234</b>  | <b>\$ 2,817,409</b>  | <b>(4.02) %</b>          |

HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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

**Debt Administration.** At June 30, 2012, the District had \$1,513,413 in outstanding long-term debt, of which \$22,171 is due within one year. During the fiscal year, the District made principal payments in the amount of \$188,428 on outstanding long-term debt. The liability for compensated absences decreased \$6,290 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

|   | <u>June 30, 2012</u> | <u>June 30, 2011</u> | <u>Percentage<br/>Change</u> |
|---|----------------------|----------------------|------------------------------|
| Limited obligation bonds payable            | \$ 20,000            | \$ 205,000           | (90.24) %                    |
| Qualified school construction bonds payable | 1,450,000            | 1,450,000            | 0.00 %                       |
| Other loans payable                         | -                    | 3,428                | (100.00) %                   |
| Compensated absences payable                | 43,413               | 49,703               | (12.66) %                    |
| <b>Total</b>                                | <b>\$ 1,513,413</b>  | <b>\$ 1,708,131</b>  | <b>(11.40) %</b>             |

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

## CURRENT ISSUES

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

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

**HOLLANDALE SCHOOL DISTRICT**

**Statement of Net Assets  
June 30, 2012**

**Exhibit A**

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                                    |                            |
| Cash and cash equivalents                        | \$ 1,932,026               |
| Due from other governments                       | 479,292                    |
| Accrued interest receivable                      | 581                        |
| Inventories                                      | 9,644                      |
| Restricted assets                                | 233,445                    |
| Capital assets, non-depreciable:                 |                            |
| Land   | 109,178                    |
| Capital assets, net of accumulated depreciation: |                            |
| Buildings  | 2,117,192                  |
| Mobile equipment                                 | 345,068                    |
| Furniture and equipment                          | 132,796                    |
| Total Assets                                     | 5,359,222                  |
| <b>Liabilities</b>                               |                            |
| Accounts payable and accrued liabilities         | 72,286                     |
| Unearned revenue                                 | 8,880                      |
| Interest payable on long-term liabilities        | 157                        |
| Long-term liabilities, due within one year:      |                            |
| Capital related liabilities                      | 20,000                     |
| Non-capital related liabilities                  | 2,171                      |
| Long-term liabilities, due beyond one year:      |                            |
| Non-capital related liabilities                  | 1,491,242                  |
| Total Liabilities                                | 1,594,736                  |
| <b>Net Assets</b>                                |                            |
| Invested in capital assets, net of related debt  | 2,684,234                  |
| Restricted for:                                  |                            |
| Expendable:                                      |                            |
| School-based activities                          | 396,668                    |
| Debt service                                     | 395,136                    |
| Capital improvements                             | 242,196                    |
| Forestry improvements                            | 13,033                     |
| Unemployment benefits                            | 30,253                     |
| Non-expendable:                                  |                            |
| Sixteenth section                                | 25,177                     |
| Unrestricted                                     | (22,211)                   |
| Total Net Assets                                 | \$ 3,764,486               |

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

**HOLLANDALE SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2012**

**Exhibit B**

| Functions/Programs                | Expenses     | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|-----------------------------------|--------------|-------------------------|--|--|--|
|                                   |              | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                               |
| Governmental Activities:          |              |                         |  |  |  |
| Instruction                       | \$ 4,639,993 | \$ 73,611               | \$ 1,913,191                             | \$ -                                   | \$ (2,653,191)   |
| Support services                  | 4,465,440    | -                       | 2,020,691                                | -                                      | (2,444,749)  |
| Non-instructional                 | 501,778      | 42,221                  | 489,925                                  | -                                      | 30,368   |
| Sixteenth section                 | 5,925        | -                       | -  | -                                      | (5,925)  |
| Interest on long-term liabilities | 12,062       | -                       | -  | -                                      | (12,062)   |
| Total Governmental Activities     | \$ 9,625,198 | \$ 115,832              | \$ 4,423,807                             | \$ -                                   | \$ (5,085,559)   |

General Revenues:

Taxes:

|                        |           |
|------------------------|-----------|
| General purpose levies | 1,082,717 |
| Debt purpose levies    | 58,329    |

Unrestricted grants and contributions:

|                                  |           |
|----------------------------------|-----------|
| State                            | 3,808,865 |
| Federal                          | 98,404    |
| Unrestricted investment earnings | 20,896    |
| Sixteenth section sources        | 180,916   |
| Other                            | 180,648   |

|                        |           |
|------------------------|-----------|
| Total General Revenues | 5,430,775 |
|------------------------|-----------|

|                      |         |
|----------------------|---------|
| Change in Net Assets | 345,216 |
|----------------------|---------|

|                        |           |
|------------------------|-----------|
| Net Assets - Beginning | 3,419,270 |
|------------------------|-----------|

|                     |              |
|---------------------|--------------|
| Net Assets - Ending | \$ 3,764,486 |
|---------------------|--------------|

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

**HOLLANDALE SCHOOL DISTRICT**  
**Governmental Funds**

**Balance Sheet**  
**June 30, 2012**

**Exhibit C**

|   | Major Funds         |                          |                               |                               |                                |                                | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | General<br>Fund     | Title I<br>Basic<br>Fund | School<br>Improvement<br>Fund | Youthbuild<br>Program<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |                                |
| <b>Assets</b>                             |                     |                          |                               |                               |                                |                                |                                |
| Cash and cash equivalents                 | \$ 1,167,540        | \$ -                     | \$ -                          | \$ -                          | \$ 789,663                     | \$ 1,957,203                   |                                |
| Investments                               | -                   | -                        | -                             | -                             | 208,268                        | 208,268                        |                                |
| Due from other governments                | 71,898              | 59,201                   | 144,710                       | 46,047                        | 157,436                        | 479,292                        |                                |
| Accrued interest receivable               | -                   | -                        | -                             | -                             | 581                            | 581                            |                                |
| Due from other funds                      | 263,334             | -                        | -                             | -                             | 155                            | 263,489                        |                                |
| Inventories                               | -                   | -                        | -                             | -                             | 9,644                          | 9,644                          |                                |
| Total assets                              | <u>\$ 1,502,772</u> | <u>\$ 59,201</u>         | <u>\$ 144,710</u>             | <u>\$ 46,047</u>              | <u>\$ 1,165,747</u>            | <u>\$ 2,918,477</u>            |                                |
| <b>Liabilities and Fund Balances</b>      |                     |                          |                               |                               |                                |                                |                                |
| <b>Liabilities:</b>                       |                     |                          |                               |                               |                                |                                |                                |
| Accounts payable and accrued liabilities  | \$ 31,570           | \$ 887                   | \$ 25,847                     | \$ -                          | \$ 13,982                      | \$ 72,286                      |                                |
| Due to other funds                        | -                   | 58,314                   | 118,863                       | 46,047                        | 40,265                         | 263,489                        |                                |
| Unearned revenue                          | -                   | -                        | -                             | -                             | 8,880                          | 8,880                          |                                |
| Total Liabilities                         | <u>31,570</u>       | <u>59,201</u>            | <u>144,710</u>                | <u>46,047</u>                 | <u>63,127</u>                  | <u>344,655</u>                 |                                |
| <b>Fund Balances:</b>                     |                     |                          |                               |                               |                                |                                |                                |
| <b>Nonspendable:</b>                      |                     |                          |                               |                               |                                |                                |                                |
| Inventory                                 | -                   | -                        | -                             | -                             | 9,644                          | 9,644                          |                                |
| Permanent fund principal                  | -                   | -                        | -                             | -                             | 25,177                         | 25,177                         |                                |
| <b>Restricted:</b>                        |                     |                          |                               |                               |                                |                                |                                |
| Debt service                              | -                   | -                        | -                             | -                             | 395,293                        | 395,293                        |                                |
| Capital projects, repairs and renovations | -                   | -                        | -                             | -                             | 242,196                        | 242,196                        |                                |
| Forestry improvement purposes             | -                   | -                        | -                             | -                             | 13,033                         | 13,033                         |                                |
| Unemployment benefits                     | -                   | -                        | -                             | -                             | 30,253                         | 30,253                         |                                |
| Other purposes                            | -                   | -                        | -                             | -                             | 220,171                        | 220,171                        |                                |
| <b>Assigned:</b>                          |                     |                          |                               |                               |                                |                                |                                |
| Activity                                  | 21,766              | -                        | -                             | -                             | -                              | 21,766                         |                                |
| Capital projects                          | -                   | -                        | -                             | -                             | 88,624                         | 88,624                         |                                |
| Other purposes                            | -                   | -                        | -                             | -                             | 78,229                         | 78,229                         |                                |
| <b>Unassigned</b>                         |                     |                          |                               |                               |                                |                                |                                |
|   | 1,449,436           | -                        | -                             | -                             | -                              | 1,449,436                      |                                |
| Total Fund Balances                       | <u>1,471,202</u>    | <u>-</u>                 | <u>-</u>                      | <u>-</u>                      | <u>1,102,620</u>               | <u>2,573,822</u>               |                                |
| Total Liabilities and Fund Balances       | <u>\$ 1,502,772</u> | <u>\$ 59,201</u>         | <u>\$ 144,710</u>             | <u>\$ 46,047</u>              | <u>\$ 1,165,747</u>            | <u>\$ 2,918,477</u>            |                                |

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

**HOLLANDALE SCHOOL DISTRICT  
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2012**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 2,573,822

Amounts reported for governmental activities in the statement of net assets are

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         |    | 901,928            |           |
| Furniture and equipment  |    | 552,109            |           |
| Accumulated depreciation |    | <u>(2,256,537)</u> | 2,704,234 |

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

|                          |  |              |             |
|--------------------------|--|--------------|-------------|
| Limited obligation bonds |  | (20,000)     |             |
| Other bonds payable      |  | (1,450,000)  |             |
| Compensated absences     |  | (43,413)     |             |
| Accrued interest payable |  | <u>(157)</u> | (1,513,570) |

**Net assets of governmental activities** \$ 3,764,486

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

**HOLLANDALE SCHOOL DISTRICT**  
**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**

**Exhibit D**

|  | Major Funds         |                          |                               |                               |                                | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund     | Title I<br>Basic<br>Fund | School<br>Improvement<br>Fund | Youthbuild<br>Program<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>Revenues:</b>   |                     |                          |                               |                               |                                |                                |
| Local sources  | \$ 1,284,411        | \$ 827                   | \$ -                          | \$ 7                          | \$ 172,925                     | \$ 1,458,170                   |
| State sources  | 3,555,770           | -                        | -                             | -                             | 437,398                        | 3,993,168                      |
| Federal sources  | 97,612              | 868,155                  | 1,933,784                     | 134,306                       | 1,304,050                      | 4,337,907                      |
| Sixteenth section sources                                    | -                   | -                        | -                             | -                             | 181,169                        | 181,169                        |
| <b>Total Revenues</b>  | <b>4,937,793</b>    | <b>868,982</b>           | <b>1,933,784</b>              | <b>134,313</b>                | <b>2,095,542</b>               | <b>9,970,414</b>               |
| <b>Expenditures:</b>   |                     |                          |                               |                               |                                |                                |
| Instruction  | 2,495,354           | 676,379                  | 527,815                       | 42,084                        | 836,350                        | 4,577,982                      |
| Support services   | 2,089,285           | 171,679                  | 1,365,507                     | 92,229                        | 704,456                        | 4,423,156                      |
| Noninstructional services                                    | -                   | 2,602                    | -                             | -                             | 495,571                        | 498,173                        |
| Sixteenth section  | -                   | -                        | -                             | -                             | 5,925                          | 5,925                          |
| Debt service:  |                     |                          |                               |                               |                                |                                |
| Principal  | 3,428               | -                        | -                             | -                             | 185,000                        | 188,428                        |
| Interest   | -                   | -                        | -                             | -                             | 12,430                         | 12,430                         |
| Other  | -                   | -                        | -                             | -                             | 1,050                          | 1,050                          |
| <b>Total Expenditures</b>                                    | <b>4,588,067</b>    | <b>850,660</b>           | <b>1,893,322</b>              | <b>134,313</b>                | <b>2,240,782</b>               | <b>9,707,144</b>               |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 349,726             | 18,322                   | 40,462                        | -                             | (145,240)                      | 263,270                        |
| <b>Other Financing Sources (Uses):</b>                       |                     |                          |                               |                               |                                |                                |
| Payments held by escrow agent                                | -                   | -                        | -                             | -                             | 85,294                         | 85,294                         |
| Payment to QSCB debt escrow agent                            | -                   | -                        | -                             | -                             | (85,294)                       | (85,294)                       |
| Operating transfers in                                       | 264,632             | -                        | -                             | -                             | 231,433                        | 496,065                        |
| Operating transfers out                                      | (171,232)           | (18,322)                 | (40,462)                      | -                             | (266,049)                      | (496,065)                      |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>93,400</b>       | <b>(18,322)</b>          | <b>(40,462)</b>               | <b>-</b>                      | <b>(34,616)</b>                | <b>-</b>                       |
| <b>Net Change in Fund Balances</b>                           | <b>443,126</b>      | <b>-</b>                 | <b>-</b>                      | <b>-</b>                      | <b>(179,856)</b>               | <b>263,270</b>                 |
| <b>Fund Balances:</b>  |                     |                          |                               |                               |                                |                                |
| July 1, 2011   | 1,028,076           | -                        | -                             | -                             | 1,283,491                      | 2,311,567                      |
| Increase (Decrease) in reserve for inventory                 | -                   | -                        | -                             | -                             | (1,015)                        | (1,015)                        |
| <b>June 30, 2012</b>   | <b>\$ 1,471,202</b> | <b>\$ -</b>              | <b>\$ -</b>                   | <b>\$ -</b>                   | <b>\$ 1,102,620</b>            | <b>\$ 2,573,822</b>            |

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

**HOLLANDALE SCHOOL DISTRICT  
Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2012**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 263,270

different because:

- 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       | \$ 51,470        |           |
| Depreciation expense | <u>(164,645)</u> | (113,175) |

- 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

|                            |              |         |
|----------------------------|--------------|---------|
| Payments of debt principal | 188,428      |         |
| Accrued interest payable   | <u>1,418</u> | 189,846 |

- 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 | 6,290          |       |
| Change in inventory reserve    | <u>(1,015)</u> | 5,275 |

|  |                          |
|--|--------------------------|
| <b>Change in net assets of governmental activities</b> | <u><u>\$ 345,216</u></u> |
|--|--------------------------|

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

**HOLLANDALE SCHOOL DISTRICT  
Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities  
June 30, 2012**

**Exhibit E**

|  | <u>Agency<br/>Funds</u> |
|--|-------------------------|
| <b>Assets</b>                            |                         |
| Cash and cash equivalents                | \$ 294,350              |
| Total Assets                             | <u>\$ 294,350</u>       |
| <b>Liabilities</b>                       |                         |
| Accounts payable and accrued liabilities | \$ 289,372              |
| Due to student clubs                     | 4,978                   |
| Total Liabilities                        | <u>\$ 294,350</u>       |

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

## **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. Basis of Presentation**

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

### **B. 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.

### **C. Government-wide and Fund Financial Statements**

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

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

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

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

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

The school district also reports 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.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

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.

FIDUCIARY FUNDS

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

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of 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.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**E. Encumbrances**

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

**F. Assets, liabilities, and net assets/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.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

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 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 Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

|                                   | Capitalization<br>Policy | Estimated<br>Useful Life |
|-----------------------------------|--------------------------|--------------------------|
| Land                              | \$ 0                     | 0                        |
| Buildings                         | 50,000                   | 40 years                 |
| Building improvements             | 25,000                   | 20 years                 |
| Improvements other than buildings | 25,000                   | 20 years                 |
| Mobile equipment                  | 5,000                    | 5-10 years               |

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

|                                      |       |           |
|--------------------------------------|-------|-----------|
| 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.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

9. Fund Balances

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

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

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

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

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

*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.

## **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.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

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 \$1,957,203 and \$294,350, respectively.

*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, 2012, none of the district's bank balance of \$2,732,931 was exposed to custodial credit risk.

Investments

As of June 30, 2012, the district had the following investments.

| Investment Type                       | Rating | Maturities<br>(in years) | Fair Value        |
|---------------------------------------|--------|--------------------------|-------------------|
| U.S. Treasury SLGS                    |        | less than 1              | \$ 85,294         |
| Federal Gov't Oblg Money Market Funds |        | less than 1              | 828               |
| Federal US Treasury Cash Reserve      | N/A    | less than 1              | <u>122,146</u>    |
| Total                                 |        |                          | <u>\$ 208,268</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, 2012, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**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       | \$ 58,314         |
|                          | School Improvement Fund  | 118,863           |
|                          | Youthbuild Program Fund  | 46,047            |
|                          | Other governmental funds | 40,110            |
| Other governmental funds | Other governmental funds | 155               |
| Total                    |                          | <u>\$ 263,489</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 | \$ 171,232        |
| Title I Basic Fund       | General Fund             | 18,322            |
| School Improvement Fund  | General Fund             | 40,462            |
| Other governmental funds | General Fund             | 205,848           |
|                          | Other governmental funds | 60,201            |
| Total                    |                          | <u>\$ 496,065</u> |

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$25,177 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investment balance totaling \$86,122 of the QSCB Bond Retirement Fund. The restricted assets also represent the investment balance totaling \$122,146 of the MAEP Limited Obligation Bond Fund.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**Note 5 – Capital Assets**

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

|   | Balance<br>7/1/2011 | Increases    | Decreases | Balance<br>6/30/2012 |
|---|---------------------|--------------|-----------|----------------------|
| <b>Governmental Activities:</b>             |                     |              |           |                      |
| <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                            | 901,928             |              |           | 901,928              |
| Furniture and equipment                     | 500,639             | 51,470       |           | 552,109              |
| Total depreciable capital assets            | 4,800,123           | 51,470       | -         | 4,851,593            |
| <u>Less accumulated depreciation for:</u>   |                     |              |           |                      |
| Buildings                                   | 1,224,208           | 56,156       |           | 1,280,364            |
| Mobile equipment                            | 509,636             | 47,224       |           | 556,860              |
| Furniture and equipment                     | 358,048             | 61,265       |           | 419,313              |
| Total accumulated depreciation              | 2,091,892           | 164,645      | -         | 2,256,537            |
| Total depreciable capital assets, net       | 2,708,231           | (113,175)    | -         | 2,595,056            |
| Governmental activities capital assets, net | \$ 2,817,409        | \$ (113,175) | \$ -      | \$ 2,704,234         |

Depreciation expense was charged to the following governmental functions:

|  | Amount     |
|--|------------|
| <b>Governmental activities:</b>                      |            |
| Instruction  | \$ 92,025  |
| Support services                                     | 54,903     |
| Non-instructional                                    | 17,717     |
| Total depreciation expense - Governmental activities | \$ 164,645 |

**Note 6 – Long-term Liabilities**

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

|  | Balance<br>7/1/2011 | Additions | Reductions | Balance<br>6/30/2012 | Amounts<br>due within<br>one year |
|--|---------------------|-----------|------------|----------------------|-----------------------------------|
| A. Limited obligation bonds payable            | \$ 205,000          | \$        | \$ 185,000 | \$ 20,000            | \$ 20,000                         |
| B. Qualified school construction bonds payable | 1,450,000           |           |            | 1,450,000            | -                                 |
| C. Other loans payable                         | 3,428               |           | 3,428      | -                    | -                                 |
| D. Compensated absences payable                | 49,703              |           | 6,290      | 43,413               | 2,171                             |
| Total  | \$ 1,708,131        | \$ -      | \$ 194,718 | \$ 1,513,413         | \$ 22,171                         |

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**A. Limited obligation bonds payable**

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

| Description                                      | Interest Rate | Issue Date | Maturity Date | Amount Issued       | Amount Outstanding |
|--|---------------|------------|---------------|---------------------|--------------------|
| State aid capital improvement bonds, Series 1998 | Varies        | 5/1/1998   | 5/1/2013      | \$ 1,750,000        | \$ 20,000          |
| Total  |               |            |               | <u>\$ 1,750,000</u> | <u>\$ 20,000</u>   |

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

| Year Ending June 30 | Principal        | Interest      | Total            |
|---------------------|------------------|---------------|------------------|
| 2013                | \$ 20,000        | \$ 940        | \$ 20,940        |
| Total               | <u>\$ 20,000</u> | <u>\$ 940</u> | <u>\$ 20,940</u> |

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

**B. Qualified school construction bonds payable**

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

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

**C. Other loans payable**

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

| Description   | Interest Rate | Issue Date | Maturity Date | Amount Issued     | Amount Outstanding |
|---------------|---------------|------------|---------------|-------------------|--------------------|
| Asbestos loan | 0%            | 4/17/1994  | 5/17/2012     | \$ 205,478        | \$ -               |
| Total         |               |            |               | <u>\$ 205,478</u> | <u>\$ -</u>        |

This debt was paid in full during the fiscal year from the General Fund.

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**D. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2012, 2011 and 2010 were \$576,850, \$508,678 and \$615,355, respectively, which equaled the required contributions for each year.

**Note 8 – Sixteenth Section Lands**

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

| <u>Year Ending</u><br><u>June 30</u> | <u>Amount</u>     |
|--------------------------------------|-------------------|
| 2013                                 | \$ 125,064        |
| 2014                                 | 125,064           |
| 2015                                 | <u>120,584</u>    |
| Total                                | <u>\$ 370,712</u> |

**Note 9 – Contingencies**

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**Note 10 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 11 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

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, 2012 was \$86,122. 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.

| <u>Year Ending</u><br><u>June 30</u> | <u>Amount</u>       |
|--------------------------------------|---------------------|
| 2013                                 | \$ 85,294           |
| 2014                                 | 85,294              |
| 2015                                 | 85,294              |
| 2016                                 | 85,294              |
| 2017                                 | 85,294              |
| 2018 – 2022                          | 426,470             |
| 2023 – 2027                          | 426,471             |
| Thereafter                           | 85,295              |
| Total                                | <u>\$ 1,364,706</u> |

**Note 12 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated May 5, 2008, creating the Area Vocational School Consortium. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes 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 the Financial Statements  
For the Year Ended June 30, 2012

**Note 13 - Subsequent Events**

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Hollandale School District evaluated the activity of the district through January 31, 2014, and determined that there was the following subsequent event that had occurred requiring disclosure in the notes to the financial statements:

There is an on-going investigation by the State of Mississippi Office of the State Auditor regarding alleged theft of fixed assets of the Hollandale School District. A previous district employee has been indicted and a trial is pending at the time the report was issued.

REQUIRED SUPPLEMENTAL INFORMATION

**HOLLANDALE SCHOOL DISTRICT  
Required Supplemental Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2012**

|  | Budgeted Amounts |                  | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|------------------|------------------------|----------------------------------|--------------------|
|  | Original         | Final            |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |                  |                        |                                  |                    |
| <b>Revenues:</b>   |                  |                  |                        |                                  |                    |
| Local sources  | \$ 1,229,882     | \$ 1,284,411     | \$ 1,284,411           | \$ 54,529                        | \$ -               |
| State sources  | 3,722,979        | 3,555,770        | 3,555,770              | (167,209)                        | -                  |
| Federal sources  | 25,000           | 97,612           | 97,612                 | 72,612                           | -                  |
| <b>Total Revenues</b>  | <b>4,977,861</b> | <b>4,937,793</b> | <b>4,937,793</b>       | <b>(40,068)</b>                  | <b>-</b>           |
| <b>Expenditures:</b>   |                  |                  |                        |                                  |                    |
| Instruction  | 2,831,028        | 2,495,354        | 2,495,354              | 335,674                          | -                  |
| Support services   | 2,098,592        | 2,089,285        | 2,089,285              | 9,307                            | -                  |
| Debt service:  |                  |                  |                        |                                  |                    |
| Principal  | 11,417           | 3,428            | 3,428                  | 7,989                            | -                  |
| <b>Total Expenditures</b>                                    | <b>4,941,037</b> | <b>4,588,067</b> | <b>4,588,067</b>       | <b>352,970</b>                   | <b>-</b>           |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 36,824           | 349,726          | 349,726                | 312,902                          | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |                  |                        |                                  |                    |
| Operating transfers in                                       | 322,400          | 377,156          | 264,632                | 54,756                           | (112,524)          |
| Operating transfers out                                      | (370,527)        | (283,756)        | (171,232)              | 86,771                           | 112,524            |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(48,127)</b>  | <b>93,400</b>    | <b>93,400</b>          | <b>141,527</b>                   | <b>-</b>           |
| <b>Net Change in Fund Balances</b>                           | <b>(11,303)</b>  | <b>443,126</b>   | <b>443,126</b>         | <b>454,429</b>                   | <b>-</b>           |
| <b>Fund Balances:</b>  |                  |                  |                        |                                  |                    |
| July 1, 2011   | 1,004,693        | 1,028,076        | 1,028,076              | 23,383                           | -                  |
| June 30, 2012  | \$ 993,390       | \$ 1,471,202     | \$ 1,471,202           | \$ 477,812                       | \$ -               |

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

**HOLLANDALE SCHOOL DISTRICT  
Required Supplemental Information**

**Budgetary Comparison Schedule  
Title I Basic Fund  
For the Year Ended June 30, 2012**

|  | Budgeted Amounts |          | Actual<br>(GAAP Basis) | Variances            |                    |
|--|------------------|----------|------------------------|----------------------|--------------------|
|  |                  |          |                        | Positive (Negative)  |                    |
|  | Original         | Final    |                        | Original<br>to Final | Final<br>to Actual |
| <b>Revenues:</b>   |                  |          |                        |                      |                    |
| Local sources  | \$ -             | \$ 827   | \$ 827                 | \$ 827               | \$ -               |
| Federal sources  | 865,072          | 868,155  | 868,155                | 3,083                | -                  |
| Total Revenues   | 865,072          | 868,982  | 868,982                | 3,910                | -                  |
| <b>Expenditures:</b>   |                  |          |                        |                      |                    |
| Instruction  | 638,153          | 676,379  | 676,379                | (38,226)             | -                  |
| Support services   | 222,593          | 171,679  | 171,679                | 50,914               | -                  |
| Noninstructional services                                    | 4,326            | 2,602    | 2,602                  | 1,724                | -                  |
| Total Expenditures   | 865,072          | 850,660  | 850,660                | 14,412               | -                  |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | -                | 18,322   | 18,322                 | 18,322               | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |          |                        |                      |                    |
| Operating transfers out                                      | -                | (18,322) | (18,322)               | (18,322)             | -                  |
| Total Other Financing Sources (Uses)                         | -                | (18,322) | (18,322)               | (18,322)             | -                  |
| Net Change in Fund Balances                                  | -                | -        | -                      | -                    | -                  |
| Fund Balances:   |                  |          |                        |                      |                    |
| July 1, 2011   | -                | -        | -                      | -                    | -                  |
| June 30, 2012  | \$ -             | \$ -     | \$ -                   | \$ -                 | \$ -               |

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

**HOLLANDALE SCHOOL DISTRICT  
Required Supplemental Information**

**Budgetary Comparison Schedule  
School Improvement Fund  
For the Year Ended June 30, 2012**

|  | Budgeted Amounts |              | Actual<br>(GAAP Basis) | Variances            |                    |
|--|------------------|--------------|------------------------|----------------------|--------------------|
|  |                  |              |                        | Positive (Negative)  |                    |
|  | Original         | Final        |                        | Original<br>to Final | Final<br>to Actual |
| <b>Revenues:</b>   |                  |              |                        |                      |                    |
| Federal sources  | \$ 1,300,481     | \$ 1,933,784 | \$ 1,933,784           | \$ 633,303           | \$ -               |
| Total Revenues   | 1,300,481        | 1,933,784    | 1,933,784              | 633,303              | -                  |
| <b>Expenditures:</b>   |                  |              |                        |                      |                    |
| Instruction  | 392,022          | 527,815      | 527,815                | (135,793)            | -                  |
| Support services   | 874,708          | 1,365,507    | 1,365,507              | (490,799)            | -                  |
| Total Expenditures   | 1,266,730        | 1,893,322    | 1,893,322              | (626,592)            | -                  |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 33,751           | 40,462       | 40,462                 | 6,711                | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |              |                        |                      |                    |
| Operating transfers out                                      | (33,751)         | (40,462)     | (40,462)               | (6,711)              | -                  |
| Total Other Financing Sources (Uses)                         | (33,751)         | (40,462)     | (40,462)               | (6,711)              | -                  |
| Net Change in Fund Balances                                  | -                | -            | -                      | -                    | -                  |
| Fund Balances:   |                  |              |                        |                      |                    |
| July 1, 2011   | -                | -            | -                      | -                    | -                  |
| June 30, 2012  | \$ -             | \$ -         | \$ -                   | \$ -                 | \$ -               |

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

**HOLLANDALE SCHOOL DISTRICT  
Required Supplemental Information**

**Budgetary Comparison Schedule  
Youthbuild Program Fund  
For the Year Ended June 30, 2012**

|  | Budgeted Amounts |         | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|---------|------------------------|----------------------------------|--------------------|
|  | Original         | Final   |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |         |                        |                                  |                    |
| <b>Revenues:</b>   |                  |         |                        |                                  |                    |
| Local sources  | \$ -             | \$ 7    | \$ 7                   | \$ 7                             | -                  |
| Federal sources  | 160,036          | 134,306 | 134,306                | (25,730)                         | -                  |
| Total Revenues   | 160,036          | 134,313 | 134,313                | (25,723)                         | -                  |
| <b>Expenditures:</b>   |                  |         |                        |                                  |                    |
| Instruction  | 86,770           | 42,084  | 42,084                 | 44,686                           | -                  |
| Support services   | 63,266           | 92,229  | 92,229                 | (28,963)                         | -                  |
| Total Expenditures   | 150,036          | 134,313 | 134,313                | 15,723                           | -                  |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 10,000           | -       | -                      | (10,000)                         | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |         |                        |                                  |                    |
| Operating transfers out                                      | (10,000)         | -       | -                      | 10,000                           | -                  |
| Total Other Financing Sources (Uses)                         | (10,000)         | -       | -                      | 10,000                           | -                  |
| Net Change in Fund Balances                                  | -                | -       | -                      | -                                | -                  |
| Fund Balances:   |                  |         |                        |                                  |                    |
| July 1, 2011   | -                | -       | -                      | -                                | -                  |
| June 30, 2012  | \$ -             | \$ -    | \$ -                   | \$ -                             | -                  |

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

HOLLANDALE SCHOOL DISTRICT  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2012

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, 2012**

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title         | Catalog of<br>Federal Domestic<br>Assistance No. | Federal<br>Expenditures |
|--|--|-------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                       |  |                         |
| Passed-through Mississippi Department of Education:                |  |                         |
| Child nutrition cluster:   |  |                         |
| School breakfast program   | 10.553   | \$ 154,812              |
| National school lunch program                                      | 10.555   | 328,388                 |
| Summer Food Service Program for Children                           | 10.559   | 54,727                  |
| Total child nutrition cluster                                      |  | <u>537,927</u>          |
| Fresh Fruit and Vegetable Program                                  | 10.582   | 102                     |
| Total passed-through Mississippi Department of Education           |  | <u>538,029</u>          |
| <b>Total U.S. Department of Agriculture</b>                        |  | <u>538,029</u>          |
| <b><u>U.S. Department of Justice</u></b>                           |  |                         |
| Direct Program:  |  |                         |
| Juvenile Mentoring Program   | 16.726   | 19,549                  |
| <b>Total U.S. Department of Justice</b>                            |  | <u>19,549</u>           |
| <b><u>U.S. Department of Labor</u></b>                             |  |                         |
| Direct Program:  |  |                         |
| Youthbuild   | 17.274   | 134,313                 |
| <b>Total U.S. Department of Labor</b>                              |  | <u>134,313</u>          |
| <b><u>Federal Communications Commission</u></b>                    |  |                         |
| Administered through the Universal Service Administrative Company: |  |                         |
| The schools and libraries program of the universal service fund    | 32.xxx   | 30,894                  |
| <b>Total Federal Communications Commission</b>                     |  | <u>30,894</u>           |
| <b><u>U.S. Department of Education</u></b>                         |  |                         |
| Passed-through Mississippi Department of Education:                |  |                         |
| Twenty-first century community learning centers                    | 84.287   | 25,363                  |
| Education Technology Cluster:                                      |  |                         |
| Education technology state grants                                  | 84.318   | 10,152                  |
| ARRA-Education technology state grants                             | 84.386   | 28,709                  |
| Total Education Technology cluster                                 |  | <u>38,861</u>           |
| Rural education  | 84.358   | 4,944                   |
| Improving Teacher Quality State grants                             | 84.367   | 104,332                 |
| Education Jobs Fund  | 84.410   | 104,989                 |
| Subtotal   |  | <u>214,265</u>          |
| Title I cluster:   |  |                         |
| Title I grants to local educational agencies                       | 84.010   | 904,592                 |
| ARRA - Title I grants to local educational agencies, Recovery Act  | 84.389   | 11,275                  |
| Total Title I cluster  |  | <u>915,867</u>          |
| Special education cluster:   |  |                         |
| Special education - grants to states                               | 84.027   | 307,562                 |
| Special education - preschool grants                               | 84.173   | 26,643                  |
| ARRA - Special education grants to states, Recovery Act            | 84.391   | 62,426                  |
| ARRA - Special education - preschool grants, Recovery Act          | 84.392   | 2,707                   |
| Total special education cluster                                    |  | <u>399,338</u>          |
| School Improvement Grant cluster:                                  |  |                         |
| School Improvement Grant   | 84.377   | 1,933,784               |
| Total School Improvement Grant Cluster                             |  | <u>1,933,784</u>        |
| Education for homeless children and youth cluster:                 |  |                         |
| ARRA - Education for homeless children and youth, Recovery Act     | 84.387   | 291                     |
| Total Education for homeless children and youth cluster            |  | <u>291</u>              |
| Total passed-through Mississippi Department of Education           |  | <u>3,527,769</u>        |
| <b>Total U.S. Department of Education</b>                          |  | <u>3,527,769</u>        |
| <b><u>U.S. Department of Health and Human Services</u></b>         |  |                         |
| Passed-through the Mississippi Department of Education:            |  |                         |
| Medical assistance program   | 93.778   | 66,718                  |
| Total passed-through Mississippi Department of Education           |  | <u>66,718</u>           |
| <b>Total U.S. Department of Health and Human Services</b>          |  | <u>66,718</u>           |
| <b><u>Corporation for National and Community Service</u></b>       |  |                         |
| Direct Program:  |  |                         |
| Learn and serve America - school and community based programs      | 94.004   | 91                      |
| ARRA- Americorps   | 94.006   | 39,822                  |
| <b>Total Corporation for National and Community Service</b>        |  | <u>39,913</u>           |
| Total for All Federal Awards                                       |  | <u>\$ 4,357,185</u>     |

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**HOLLANDALE SCHOOL DISTRICT  
Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2012**

| <u>Expenditures</u>            | <u>Total</u>     | <u>Instruction and<br/>Other Student<br/>Instructional<br/>Expenditures</u> | <u>General<br/>Administration</u> | <u>School<br/>Administration</u> | <u>Other</u>  |
|--------------------------------|------------------|---|-----------------------------------|----------------------------------|---------------|
| Salaries and fringe benefits   | \$ 6,251,353     | 4,626,092   | 683,057                           | 401,454                          | 540,750       |
| Other                          | 3,455,791        | 1,843,673   | 228,176                           | 23,459                           | 1,360,483     |
| <br>Total                      | <br>\$ 9,707,144 | <br>6,469,765   | <br>911,233                       | <br>424,913                      | <br>1,901,233 |
| <br>Total number of students * | <br><u>725</u>   |   |                                   |                                  |               |
| <br>Cost per student           | <br>\$ 13,389    | <br>8,924   | <br>1,257                         | <br>586                          | <br>2,622     |

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

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

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**

|  | 2012             | 2011*            | 2010*            | 2009*            |
|--|------------------|------------------|------------------|------------------|
| <b>Revenues:</b>   |                  |                  |                  |                  |
| Local sources  | \$ 1,284,411     | \$ 1,328,442     | \$ 1,197,338     | \$ 1,524,748     |
| State sources  | 3,555,770        | 3,349,825        | 3,586,621        | 4,141,457        |
| Federal sources  | 97,612           | 262,869          | 69,359           | 139,575          |
| <b>Total Revenues</b>  | <b>4,937,793</b> | <b>4,941,136</b> | <b>4,853,318</b> | <b>5,805,780</b> |
| <b>Expenditures:</b>   |                  |                  |                  |                  |
| Instruction  | 2,495,354        | 2,607,521        | 2,811,673        | 3,441,108        |
| Support services   | 2,089,285        | 1,924,170        | 2,228,304        | 2,501,226        |
| Debt service:  |                  |                  |                  |                  |
| Principal  | 3,428            | 11,415           | 11,415           | 11,415           |
| Other  | 0                | 222              | 430              |                  |
| <b>Total Expenditures</b>                                    | <b>4,588,067</b> | <b>4,543,328</b> | <b>5,051,822</b> | <b>5,953,749</b> |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 349,726          | 397,808          | (198,504)        | (147,969)        |
| <b>Other Financing Sources (Uses):</b>                       |                  |                  |                  |                  |
| Operating transfers in                                       | 264,632          | 200,765          | 284,739          | 200,000          |
| Operating transfers out                                      | (171,232)        | (165,022)        | (184,552)        | (211,328)        |
| Other financing uses   |                  | (480)            |                  |                  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>93,400</b>    | <b>35,263</b>    | <b>100,187</b>   | <b>(11,328)</b>  |
| <b>Net Change in Fund Balances</b>                           | <b>443,126</b>   | <b>433,071</b>   | <b>(98,317)</b>  | <b>(159,297)</b> |
| <b>Fund Balances:</b>  |                  |                  |                  |                  |
| Beginning of period,   | 1,028,076        | 595,005          | 693,322          | 852,619          |
| End of Period  | \$ 1,471,202     | \$ 1,028,076     | \$ 595,005       | \$ 693,322       |

\*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**

|  | 2012                | 2011*               | 2010*               | 2009*               |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues:</b>   |                     |                     |                     |                     |
| Local sources  | \$ 1,458,170        | \$ 1,403,591        | \$ 1,252,997        | \$ 1,597,243        |
| Intermediate sources   |                     | 11,513              | 30,308              | 15,551              |
| State sources  | 3,993,168           | 3,774,907           | 4,148,957           | 4,859,068           |
| Federal sources  | 4,337,907           | 4,556,479           | 4,551,027           | 2,904,011           |
| Sixteenth section sources                                    | 181,169             | 177,790             | 261,506             | 164,731             |
| <b>Total Revenues</b>  | <b>9,970,414</b>    | <b>9,924,280</b>    | <b>10,244,795</b>   | <b>9,540,604</b>    |
| <b>Expenditures:</b>   |                     |                     |                     |                     |
| Instruction  | 4,577,982           | 4,954,782           | 5,452,355           | 5,260,680           |
| Support services   | 4,423,156           | 4,887,606           | 3,999,007           | 3,594,078           |
| Noninstructional services                                    | 498,173             | 497,335             | 590,083             | 557,823             |
| Sixteenth section  | 5,925               | 6,040               | 30,582              | 12,228              |
| Debt service:  |                     |                     |                     |                     |
| Principal  | 188,428             | 186,415             | 196,415             | 229,415             |
| Interest   | 12,430              | 17,325              | 25,560              | 35,646              |
| Other  | 1,050               | 772                 | 980                 | 620                 |
| <b>Total Expenditures</b>                                    | <b>9,707,144</b>    | <b>10,550,275</b>   | <b>10,294,982</b>   | <b>9,690,490</b>    |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 263,270             | (625,995)           | (50,187)            | (149,886)           |
| <b>Other Financing Sources (Uses):</b>                       |                     |                     |                     |                     |
| Bonds and notes issued                                       |                     | 1,450,000           |                     |                     |
| Payments held by escrow agent                                | 85,294              |                     |                     |                     |
| Payment to QSCB debt escrow agent                            | (85,294)            |                     |                     |                     |
| Operating transfers in                                       | 496,065             | 373,146             | 495,437             | 469,761             |
| Operating transfers out                                      | (496,065)           | (373,146)           | (495,437)           | (469,761)           |
| Other financing uses   |                     | (480)               |                     |                     |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>0</b>            | <b>1,449,520</b>    | <b>0</b>            | <b>0</b>            |
| <b>Net Change in Fund Balances</b>                           | <b>263,270</b>      | <b>823,525</b>      | <b>(50,187)</b>     | <b>(149,886)</b>    |
| <b>Fund Balances:</b>  |                     |                     |                     |                     |
| Beginning of period,   | 2,311,567           | 1,485,840           | 1,532,959           | 1,691,639           |
| Increase (Decrease) in reserve for inventory                 | (1,015)             | 2,202               | 3,068               | (8,794)             |
| <b>End of Period</b>   | <b>\$ 2,573,822</b> | <b>\$ 2,311,567</b> | <b>\$ 1,485,840</b> | <b>\$ 1,532,959</b> |

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board  
Hollandale School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2012, which collectively comprise the Hollandale School District's basic financial statements and have issued our report thereon dated January 31, 2014. Our report is qualified on the governmental activities because the district did not maintain adequate internal controls to have accurate subsidiary records documenting the completeness, existence, and valuation of capital assets as required by accounting principles generally accepted in the United States of America. Except for the scope limitation referred to above, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be material weakness. [Finding **2012-01**].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of 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*.

However, we noted a certain immaterial instance of noncompliance or other matter that we reported to management

of the school district in a separate letter dated January 31, 2014, which is included in this report.

Hollandale School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Hollandale School District's response and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
January 31, 2014

*Watkins Ward and Stafford, PLLC*



**WATKINS, WARD AND STAFFORD**

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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Hollandale School District

Compliance

We have audited the compliance of the Hollandale School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Hollandale School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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 the 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. Our audit does not provide a legal determination of the school district's compliance with those requirements.

As described in Finding **2012-02** in the accompanying schedule of findings and questioned costs, Hollandale School District did not comply with requirements regarding equipment and real property management that are applicable to the Title I Cluster. Compliance with such requirements is necessary, in our opinion, for Hollandale School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Hollandale School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding **2012-02**.

Internal Control Over Compliance

Management of the Hollandale School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hollandale School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Finding **2012-02** and Finding **2012-03**. 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.

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

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Watkins Ward and Stafford, PLLC*

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
January 31, 2014

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



**WATKINS, WARD AND STAFFORD**

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Certified Public Accountants

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

Superintendent and School Board  
Hollandale School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2012, which collectively comprise Hollandale School District's basic financial statements and have issued our report thereon dated January 31, 2014. 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 \$11,414 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 or regulations.

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

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
January 31, 2014

*Watkins Ward and Stafford, PLLC*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOLLANDALE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

- |  |  |               |
|--|--|---------------|
| 1. Type of auditor's report issued:                      |  |               |
| Governmental Activities                                  |  | Qualified     |
| General Fund   |  | Unqualified   |
| Title I Basic Fund                                       |  | Unqualified   |
| School Improvement Fund                                  |  | Unqualified   |
| Youthbuild Program Grant                                 |  | Unqualified   |
| Aggregate Remaining Fund Information                     |  | Unqualified   |
| 2. Internal control over financial reporting:            |  |               |
| a. Material weaknesses identified?                       |  | Yes           |
| b. Significant deficiency identified?                    |  | None reported |
| 3. Noncompliance material to financial statements noted? |  | No            |

Federal Awards:

- |   |   |             |
|---|---|-------------|
| 4. Internal control over major programs:  |   |             |
| a. Material weakness identified?  |   | No          |
| b. Significant deficiencies identified?   |   | Yes         |
| 5. Type of auditor's report issued on compliance for major programs:  |   |             |
| Child Nutrition Cluster   |   | Unqualified |
| Title I Cluster   |   | Qualified   |
| School Improvement Grant  |   | Unqualified |
| 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; 10.559   | Child Nutrition Cluster                   |             |
| 84.010;84.389   | Title I Cluster                           |             |
| 84.377  | School Improvement Grant Cluster          |             |

HOLLANDALE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

- |    |   |           |
|----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs:  | \$300,000 |
| 9. | Auditee qualified as low-risk auditee?  | No        |
| 10 | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | Yes       |

HOLLANDALE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section II: Financial Statement Findings

Significant Deficiency Considered to be Material Weakness

2012-01 Internal controls should be strengthened to safeguard district's assets

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of effective financial management is the maintenance of accurate accounting records. An important aspect of effective internal controls over capital assets owned by the district is the control activity of the timely update of capital asset records to the subsidiary ledger.

During our test of internal controls over fixed assets we found that:

1. Transfers of assets were not being approved or adequately maintained by the district.
2. District should have monthly reconciliations of additions and deletions to maintain an accurate account of all assets.
3. Should have designated personnel responsible for assets at each location.
4. Assets are maintained on excel spread sheets and not reconciled with the general ledger timely.
5. District should have an annual inventory audit on assets done district wide.
6. The district should have a listing of all assets in each room that should be within that designated area. If items are transferred to another area or location those sheets should be updated to reflect those changes by using asset transfer forms. This will help to maintain accurate documentation of where assets are within the district.
7. As of the audit date the district had started to require all assets come through the central office to be tagged and added to listing before going to other locations. The district should maintain this policy.

Additional inspection testing was done by auditor on items above the threshold. Three items above the threshold that would be included within financial statements were found to be misstated or missing from the asset listing. While reviewing the prior year audit, the auditors noted that the district was under an investigation for the theft of district assets. It was noted that 105 items were recovered by the district of which three were noted to be over the threshold and would affect the financial statements in the amount of \$32,909. These items at audit date are still not reported on the district's financial statements. Some of these items were noted to be purchased with federal funds which were noted at finding 2012-2.

When the auditor talked to the agent in charge for an update of the investigation at the end of field work, the investigation was still considered ongoing, but nothing new had been noted since the meeting with the prior year auditor that would affect the financial statements.

These errors were caused by a lack of controls of assets within the district. The lack of reconciliation of assets with additions to the fixed asset records and failure to reconcile disposals of fixed assets to the minutes of the School Board. Failure to record the type of funds used to

HOLLANDALE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

purchase assets was due to inadequate records being maintained by the district in prior periods.

Improper recording of capital assets also affects related depreciation under the requirements of the Governmental Accounting Standards Board Statement #34. These errors can cause the financial statements to be misstated. The district has begun the process to reconstruct the entire listing of capital assets to ensure accuracy. Three items above the threshold that would be included within financial statements were found to be misstated or missing.

Recommendation

The district should implement procedures and internal controls with regard to the purchase, disposal, and transfer of fixed assets by reconciling them monthly to current month additions and board approved disposals of equipment. The district should also require an annual inventory of all capital assets within the district.

Section III: Federal Award Findings and Questioned Costs

Material Noncompliance and Significant Deficiency (not considered a Material Weakness) in Internal Control Over Compliance

2012-02 Internal controls should be strengthened to safeguard district's assets

Finding

Program: Title I Cluster; pass-through the Mississippi Department of Education -  
CFDA #s 84.010 and 84.389

Compliance requirement: Equipment and Real Property Management

Federal program guidelines regarding equipment and real property management require that the district maintain proper records for equipment and adequately safeguard and maintain equipment purchased with federal funds. Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of effective financial management is the maintenance of accurate accounting records. An important aspect of effective internal controls over capital assets owned by the district is the control activity of the timely update of capital asset records to the subsidiary ledger.

During our tests over fixed assets we found that:

1. Three assets that had been purchased with federal funds were not on the detailed listing of assets.
2. Other internal control related problems related to maintaining accurate records were also noted in Finding 2012 - 01.

These exceptions represent a material noncompliance with federal guidelines regarding equipment and real property management. The cause of these conditions is the lack of controls to insure proper recording, record maintenance, and adequate documentation.

Recommendation

The district should implement policies and procedures to insure the proper accounting and safeguarding of all assets of the district. The district should take an annual inventory at minimum to insure internal controls implemented by the district are effective in safeguarding and accounting for the assets of the district.

HOLLANDALE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Significant Deficiencies Not Considered to be Material Weaknesses

2011-03. Daily Collection Sheets Not Signed and Cash Overages / Shortages

Finding

Program: Child nutrition cluster; pass-through the Mississippi Department of Education -  
CFDA #s 10.553 and 10.555

Compliance requirement: Program Income

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Program's Policy and Procedures Manual, which recommends that two separate individuals be involved in cashiering, cash collection, daily reconciliations and deposits. During test work in the Child Nutrition Cluster it was found that the daily collection sheets are not signed by cashiers and managers. While performing test on daily collections regarding the number of meals served and amount of payment for the meals, we noted that the district had excess cash receipts recorded. On further review, no documentation of daily reconciliations was available to the auditors that would indicate that the district is investigating the reasons for cash overages.

The cause is unknown.

By not performing the daily reconciliation of the cash collection sheets the district could have an under-reporting of meals served and if there is excess cash, when excess cash is present could result in the loss of cash.

Recommendation

We recommend that the district follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in Cash collection, daily reconciliation and deposit functions of daily food sales. We further recommend the district investigate the excess deposits or shortages of cash to determine that assets are not being lost from the program.

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

# **Hollandale School District**

P. O. Box 128/101 W. Washington Street  
Hollandale, Mississippi 38748

**James Johnson, Superintendent**  
[jjohnson@hollandale.k12.ms.us](mailto:jjohnson@hollandale.k12.ms.us)



**lobana Frey,**  
Associate Superintendent

**Patricia McGee**  
Administrative Assistant

## **AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_\_\_\_,315 (b) of OMB Circular A-133, the Hollandale School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012.

Finding 2012-1

### **Corrective Action Plan Details**

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

Name: Latarisha Brown  
Title: Fixed Asset Clerk  
Phone: (662) 827-2024

Name: Peggy J. Adams  
Title: Accounts Payable/Fixed Asset Clerk  
Phone: (662) 827-2276

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

Name: James Johnson  
Title: Superintendent  
Phone: (662) 827-5305

b. Corrective Action Planned:

The district will implement procedures to ensure that there are internal controls with regards to the purchase, disposal and transfer of fixed assets by reconciling them monthly to current month additions and

**Finding  
2012-2**

board approved disposal of equipment. The District will require an annual inventory of all capital assets within the district.

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

**Name:** Jobana Frey  
**Title:** Federal Program Director  
**Phone:** (662) 827-5305

**Name:** Latarisha Brown  
**Title:** Fixed Asset Clerk  
**Phone:** (662) 827-2024

**Name:** Vera Blue  
**Title:** Business Manager  
**Phone:** (662) 827-5305

**Name:** Peggy J. Adams  
**Title:** Accounts Payable/Fixed Asset Clerk  
**Phone:** (662) 827-2276

**b. Corrective Action Planned:**

The district will implement policies and procedures to ensure the proper accounting and safeguarding of all assets of the district. The district will take an annual inventory to ensure internal control is implemented by the district are effective in safeguarding and accounting for the assets of the district.

**Finding  
2012-3**

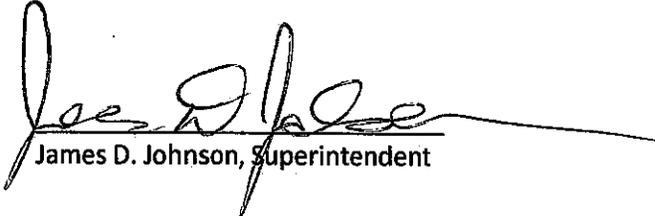
**a. Name of Person(s) Responsible for Corrective Action:**

**Name:** Joeirma Smith  
**Title:** Food Service Director  
**Phone:** (662) 827-2225

**Name:** Delretha Bonney  
**Title:** Food Service Manager  
**Phone:** (662) 827-5720

**b. Corrective Action Planned:**

The District will follow the Mississippi Department of Education Child Nutrition Program Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit function of daily food sales. We further recommend the district investigate the excess deposits or shortages of cash to determine the assets are not being lost from the program.



James D. Johnson, Superintendent

**Hollandale School District**  
101 W. President Street  
Hollandale, MS 38748  
**James Johnson, Superintendent**  
**Vera Blue, Business Manager**

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section \_\_\_\_.315(b) of OMB Circular A-133, the Hollandale School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2012:

| <u>Findings</u> | <u>Status</u>                                       |
|-----------------|---|
| 2011-01         | In progress see Finding 2012-01                     |
| 2011-02         | In progress see Finding 2012-01 and Finding 2012-02 |
| 2011-03         | In progress see Finding 2012-03                     |