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Hollandale School District

Audited Financial Statements
For the Year Ended June 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

**Hollandale School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Hollandale School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Hollandale School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollandale School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 17 and 51 to 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollandale School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2017, on our consideration of the Hollandale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hollandale School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 26, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$837,297, including a prior period adjustment of (\$380,862), which represents a 13% decrease from fiscal year 2015. Total net position for 2015 decreased \$10,245,415, including a prior period adjustment of (\$9,736,667) due to the recording of the net pension liability, which represents a 275% decrease from fiscal year 2014.
- General revenues amounted to \$5,348,542 and \$5,104,484, or 69% and 66% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,410,430, or 31% of total revenues for 2016, and \$2,648,489, or 34% of total revenues for 2015.
- The District had \$8,215,407 and \$8,261,721 in expenses for fiscal years 2016 and 2015; only \$2,410,430 for 2016 and \$2,648,489 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,348,542 for 2016 and \$5,104,484 for 2015 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$5,230,647 in revenues and \$5,561,895 in expenditures for 2016, and \$5,019,831 in revenues and \$5,621,802 in expenditures in 2015. The General Fund's fund balance decreased by \$453,559 from 2015 to 2016, and decreased by \$637,152 from 2014 to 2015, including a fund reclassification of \$44,936.
- Capital assets, net of accumulated depreciation, decreased by \$497,197 for 2016 and decreased by \$181,875 for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation for the current fiscal year and adjustments needed to decrease capital assets for items disposed of in a prior fiscal year.
- Long-term debt, including the liability for compensated absences, increased by \$16,698 for 2016 and decreased by \$52,211 for 2015. The increase for 2016 was due primarily to the inception of obligations under capital leases during the fiscal year. The liability for compensated absences decreased by \$2,656 for 2016 and decreased by \$301 for 2015.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

provide a detailed view of the District's near-term financing requirements.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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.

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District’s financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,353,892 as of June 30, 2016.

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.

Table 1 presents a summary of the District’s net position at June 30, 2016 and June 30, 2015.

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 1,398,407	\$ 1,843,609	(24.15) %
Restricted assets	447,955	370,941	20.76 %
Capital assets, net	2,095,479	2,592,676	(19.18) %
Total assets	<u>3,941,841</u>	<u>4,807,226</u>	(18.00) %
Deferred outflows of resources	<u>1,719,040</u>	<u>770,386</u>	123.14 %
Current liabilities	102,799	96,831	6.16 %
Long-term debt outstanding	1,735,210	1,718,512	0.97 %
Net pension liability	10,004,436	8,561,779	16.85 %
Total liabilities	<u>11,842,445</u>	<u>10,377,122</u>	14.12 %
Deferred inflows of resources	<u>1,172,328</u>	<u>1,717,085</u>	(31.73) %
Net position:			
Net investment in capital assets	401,302	2,367,853	(83.05) %
Restricted	1,113,700	1,034,298	7.68 %
Unrestricted	(8,868,894)	(9,918,746)	10.58 %
Total net position (deficit)	<u>\$ (7,353,892)</u>	<u>\$ (6,516,595)</u>	(12.85) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$ 8,868,894)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>9,457,724</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 588,830</u>

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

- Decrease in net capital assets in the amount of \$497,197.
- Inception of obligations under capital leases in the amount of \$112,079.
- The principal retirement of \$92,725 of long-term debt.
- Recognition of the net pension liability in the amount of \$10,004,436.

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$7,758,972 and \$7,752,973, respectively. The total cost of all programs and services was \$8,215,407 for 2016 and \$8,261,721 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 79,737	\$ 100,575	(20.72) %
Operating grants and contributions	2,330,693	2,547,914	(8.53) %
General revenues:			
Property taxes	1,281,469	1,142,214	12.19 %
Grants and contributions not restricted	3,580,170	3,678,905	(2.68) %
Investment earnings	13,231	11,475	15.30 %
Sixteenth section sources	270,593	166,768	62.26 %
Other	203,079	105,122	93.18 %
Total revenues	7,758,972	7,752,973	0.08 %
Expenses:			
Instruction	4,073,484	3,882,818	4.91 %
Support services	3,080,461	3,538,708	(12.95) %
Non-instructional	471,862	401,809	17.43 %
Sixteenth section	7,630	17,486	(56.37) %
Pension expense	566,958	408,636	38.74 %
Interest on long-term liabilities	15,012	12,264	22.41 %
Total expenses	8,215,407	8,261,721	(0.56) %
Increase (Decrease) in net position	(456,435)	(508,748)	10.28 %
Net Position (Deficit), July 1, as previously reported	(6,516,595)	3,728,820	(274.76) %
Prior Period Adjustment	(380,862)	(9,736,667)	96.09 %
Net Position (Deficit), July 1, as restated	(6,897,457)	(6,007,847)	(14.81) %
Net Position (Deficit), June 30	\$ (7,353,892)	\$ (6,516,595)	(12.85) %

Governmental activities

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

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		Percentage Change
	<u>2016</u>	<u>2015</u>	
Instruction	\$ 4,073,484	\$ 3,882,818	4.91 %
Support services	3,080,461	3,538,708	(12.95) %
Non-instructional	471,862	401,809	17.43 %
Sixteenth section	7,630	17,486	(56.37) %
Pension expense	566,958	408,636	38.74 %
Interest on long-term liabilities	15,012	12,264	22.41 %
Total expenses	<u>\$ 8,215,407</u>	<u>\$ 8,261,721</u>	(0.56) %

	<u>Net (Expense) Revenue</u>		Percentage Change
	<u>2016</u>	<u>2015</u>	
Instruction	\$ (2,837,361)	\$ (2,624,982)	(8.09) %
Support services	(2,410,382)	(2,521,278)	4.40 %
Non-instructional	32,366	(28,586)	213.22 %
Sixteenth section	(7,630)	(17,486)	56.37 %
Pension expense	(566,958)	(408,636)	(38.74) %
Interest on long-term liabilities	(15,012)	(12,264)	(22.41) %
Total net (expense) revenue	<u>\$ (5,804,977)</u>	<u>\$ (5,613,232)</u>	(3.42) %

- Net cost of governmental activities (\$5,804,977 for 2016 and \$5,613,232 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$1,281,469 for 2016 and \$1,142,214 for 2015) and state and federal revenues (\$3,580,170 for 2016 and \$3,678,905 for 2015). In addition, there was \$270,593 and \$166,768 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$13,231 for 2016 and \$11,475 for 2015.

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

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

\$1,749,037, a decrease of \$372,493, which includes an increase in inventory of \$3,119. \$532,167, or 30% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$1,216,870, or 70% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$453,559. The fund balance of Other Governmental Funds showed an increase in the amount of \$3,077, which includes an increase in inventory of \$3,119. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic Fund	no increase or decrease
HSD State Aid Fund	\$ 414
QSCB Sinking Fund	\$ 77,575

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$4,581,038, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$807,270 from 2015 due primarily to the current year disposal of various items of mobile equipment and furniture and equipment, as well as adjustments needed to reflect the disposal of various items of buildings, mobile equipment and furniture and equipment in a prior fiscal year. Total accumulated depreciation as of June 30, 2016, was \$2,485,559, and total depreciation expense for the year was \$127,955, resulting in total net capital assets of \$2,095,479.

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 109,178	\$ 109,178	0.00 %
Buildings	1,595,734	1,948,725	(18.11) %
Mobile equipment	361,953	490,033	(26.14) %
Furniture and equipment	28,614	44,740	(36.04) %
Total	\$ 2,095,479	\$ 2,592,676	(19.18) %

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

Debt Administration. At June 30, 2016, the District had \$1,735,210 in outstanding long-term debt, of which \$92,939 is due within one year. The District entered into capital leases totaling \$112,079 during the fiscal year. The District made principal payments totaling \$92,725 on outstanding long-term debt. The liability for compensated absences decreased \$2,656 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Obligations under capital leases	\$ 72,928	\$ -	N/A %
Installment purchases loans payable	171,249	224,823	(23.83) %
Qualified school construction bonds payable	1,450,000	1,450,000	0.00 %
Compensated absences payable	41,033	43,689	(6.08) %
Total	\$ 1,735,210	\$ 1,718,512	0.97 %

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.

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

HOLLANDALE SCHOOL DISTRICT

**Statement of Net Position
June 30, 2016**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,186,976
Due from other governments	195,508
Accrued interest receivable	3,281
Inventories	12,642
Restricted assets	447,955
Capital assets, non-depreciable:	
Land	109,178
Capital assets, net of accumulated depreciation:	
Buildings	1,595,734
Mobile equipment	361,953
Furniture and equipment	28,614
Total Assets	3,941,841
 Deferred Outflows of Resources	
Deferred outflow related to pensions	1,719,040
Total Deferred Outflows of Resources	1,719,040
 Liabilities	
Accounts payable and accrued liabilities	88,755
Unearned revenue	8,570
Interest payable on long-term liabilities	5,474
Long-term liabilities, due within one year:	
Capital related liabilities	90,887
Non-capital related liabilities	2,052
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,603,290
Non-capital related liabilities	38,981
Net pension liability	10,004,436
Total Liabilities	11,842,445
 Deferred Inflows of Resources	
Deferred inflow related to pensions	1,172,328
Total Deferred Inflows of Resources	1,172,328
 Net Position	
Net investment in capital assets	401,302
Restricted for:	
Expendable:	
School-based activities	315,370
Debt service	520,118
Capital improvements	217,707
Forestry improvements	4,882
Unemployment benefits	30,446
Non-expendable:	
Sixteenth section	25,177
Unrestricted	(8,868,894)
Total Net Position (deficit)	\$ (7,353,892)

HOLLANDALE SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2016**

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 4,073,484	\$ 65,591	\$ 1,170,532	\$ (2,837,361)
Support services	3,080,461	-	670,079	(2,410,382)
Non-instructional	471,862	14,146	490,082	32,366
Sixteenth section	7,630	-	-	(7,630)
Pension expense	566,958	-	-	(566,958)
Interest on long-term liabilities	15,012	-	-	(15,012)
Total Governmental Activities	\$ 8,215,407	\$ 79,737	\$ 2,330,693	\$ (5,804,977)

General Revenues:

Taxes:

General purpose levies	1,214,655
Debt purpose levies	66,814

Unrestricted grants and contributions:

State	3,570,767
Federal	9,403
Unrestricted investment earnings	13,231
Sixteenth section sources	270,593
Other	203,079
Total General Revenues	5,348,542

Change in Net Position (456,435)

Net Position (deficit) - Beginning, as previously reported (6,516,595)
Prior Period Adjustments (380,862)

Net Position (deficit) - Beginning, as restated (6,897,457)

Net Position (deficit) - Ending \$ (7,353,892)

HOLLANDALE SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2016

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Basic Fund	HSD State Aid Fund	QSCB Sinking Fund		
Assets						
Cash and cash equivalents	\$ 434,697	\$ -	\$ 204,805	\$ -	\$ 572,651	\$ 1,212,153
Cash with fiscal agents	-	-	-	5,284	-	5,284
Investments	-	-	-	417,494	-	417,494
Due from other governments	51,486	98,653	-	-	45,369	195,508
Accrued interest receivable	-	-	-	3,281	-	3,281
Due from other funds	105,743	-	-	-	-	105,743
Inventories	-	-	-	-	12,642	12,642
Total assets	\$ 591,926	\$ 98,653	\$ 204,805	\$ 426,059	\$ 630,662	\$ 1,952,105
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 50,688	\$ 8,881	\$ -	\$ -	\$ 29,186	\$ 88,755
Due to other funds	-	89,772	-	-	15,971	105,743
Unavailable revenue - federal programs	-	-	-	-	8,570	8,570
Total Liabilities	50,688	98,653	-	-	53,727	203,068
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	12,642	12,642
Permanent fund principal	-	-	-	-	25,177	25,177
Restricted:						
Debt service	-	-	-	426,059	99,533	525,592
Capital projects	-	-	204,805	-	12,902	217,707
Forestry improvement purposes	-	-	-	-	4,882	4,882
Grant activities	-	-	-	-	124,987	124,987
Unemployment benefits	-	-	-	-	30,446	30,446
Child nutrition	-	-	-	-	177,741	177,741
Assigned:						
Capital projects	-	-	-	-	88,625	88,625
Activity funds	9,071	-	-	-	-	9,071
Unassigned	532,167	-	-	-	-	532,167
Total Fund Balances	541,238	-	204,805	426,059	576,935	1,749,037
Total Liabilities and Fund Balances	\$ 591,926	\$ 98,653	\$ 204,805	\$ 426,059	\$ 630,662	\$ 1,952,105

HOLLANDALE SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Exhibit C-1

Total fund balances for governmental funds \$ 1,749,037

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

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

Land	\$ 109,178	
Buildings	2,966,122	
Mobile equipment	882,033	
Furniture and equipment	623,705	
Accumulated depreciation	<u>(2,485,559)</u>	2,095,479

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

Net pension liability	(10,004,436)	
-----------------------	--------------	--

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,719,040	
Deferred inflows of resources related to pensions	<u>(1,172,328)</u>	(9,457,724)

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

Other bonds payable	(1,450,000)	
Loans payable	(171,249)	
Capital lease obligations	(72,928)	
Compensated absences	(41,033)	
Accrued interest payable	<u>(5,474)</u>	(1,740,684)

Net Position of governmental activities \$ (7,353,892)

HOLLANDALE SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Basic Fund	HSD State Aid Fund	QSCB Sinking Fund		
Revenues:						
Local sources	\$ 1,479,170	\$ 175	\$ 414	\$ 9,822	\$ 87,047	\$ 1,576,628
State sources	3,471,483	-	-	-	412,360	3,883,843
Federal sources	9,402	1,007,460	-	-	1,010,145	2,027,007
Sixteenth section sources	270,592	-	-	-	51	270,643
Total Revenues	5,230,647	1,007,635	414	9,822	1,509,603	7,758,121
Expenditures:						
Instruction	2,939,999	728,924	-	-	751,345	4,420,268
Support services	2,551,832	340,680	-	-	348,598	3,241,110
Noninstructional services	-	10,959	-	-	460,622	471,581
Sixteenth section	7,630	-	-	-	-	7,630
Debt service:						
Principal	53,574	39,151	-	-	-	92,725
Interest	7,208	-	-	-	3,625	10,833
Other	1,652	-	-	-	864	2,516
Total Expenditures	5,561,895	1,119,714	-	-	1,565,054	8,246,663
Excess (Deficiency) of Revenues over (under) Expenditures	(331,248)	(112,079)	414	9,822	(55,451)	(488,542)
Other Financing Sources (Uses):						
Capital leases issued	-	112,079	-	-	-	112,079
Payments held by escrow agent	-	-	-	67,753	-	67,753
Payment to QSCB debt escrow agent	-	-	-	-	(67,753)	(67,753)
Sale of other property	851	-	-	-	-	851
Operating transfers in	32,051	-	-	-	165,213	197,264
Operating transfers out	(155,213)	-	-	-	(42,051)	(197,264)
Total Other Financing Sources (Uses)	(122,311)	112,079	-	67,753	55,409	112,930
Net Change in Fund Balances	(453,559)	-	414	77,575	(42)	(375,612)
Fund Balances:						
July 1, 2015	994,797	-	204,391	348,484	573,858	2,121,530
Increase (Decrease) in inventory	-	-	-	-	3,119	3,119
June 30, 2016	\$ 541,238	\$ -	\$ 204,805	\$ 426,059	\$ 576,935	\$ 1,749,037

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, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (375,612)**

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

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

Capital outlay	\$ 18,453	
Depreciation expense	<u>(127,955)</u>	(109,502)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (6,833)

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

Capital leases issued	(112,079)	
Payments of debt principal	92,725	
Accrued interest payable	<u>(1,663)</u>	(21,017)

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

Recording of pension expense for the current period	(566,958)	
Recording of contributions made subsequent to the measurement date	<u>617,712</u>	50,754

5. 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	2,656	
Change in inventory	<u>3,119</u>	5,775

Change in Net Position of governmental activities **\$ (456,435)**

HOLLANDALE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 249,786
Total Assets	<u>\$ 249,786</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 244,680
Due to student clubs	5,106
Total Liabilities	<u>\$ 249,786</u>

Hollandale School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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 Position presents the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

HSD State Aid Fund - This is a capital projects fund that accounts for state sources received and expenditures incurred for capital projects.

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

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

The school district also reports fiduciary funds which focus on assets and liabilities only. The District's fiduciary funds include the following:

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

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

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

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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

See Note 13 for further details.

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

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

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

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

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

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

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of total revenues or expenditures. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, 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 Year Ended June 30, 2016

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 \$1,212,153 and \$249,786, 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. 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. 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, 2016, none of the district's bank balance of \$1,881,208 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,284.

Investments

As of June 30, 2016, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury SLGS	N/A	10 to 15 years	\$ <u>417,494</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury SLGS of \$417,494 are valued using quoted market prices (Level 1 inputs)

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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, 2016, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Basic Fund	\$ 89,772
	Other governmental funds	15,971
Total		<u>\$ 105,743</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	\$ 155,213
Other governmental funds	General Fund	32,051
	Other governmental funds	10,000
Total		<u>\$ 197,264</u>

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$25,177 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$5,284 and \$417,494, respectively, of the QSCB Bond Retirement Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 109,178	\$	\$	\$	\$ 109,178
Total non-depreciable capital assets	109,178	-	-	-	109,178
<u>Depreciable capital assets:</u>					
Buildings	3,397,556			(431,434)	2,966,122
Mobile equipment	1,207,429	12,563	66,536	(271,423)	882,033
Furniture and equipment	674,145	5,890	17,906	(38,424)	623,705
Total depreciable capital assets	5,279,130	18,453	84,442	(741,281)	4,471,860
<u>Less accumulated depreciation for:</u>					
Buildings	1,448,831	47,527		(125,970)	1,370,388
Mobile equipment	717,396	58,975	59,882	(196,409)	520,080
Furniture and equipment	629,405	21,453	17,727	(38,040)	595,091
Total accumulated depreciation	2,795,632	127,955	77,609	(360,419)	2,485,559
Total depreciable capital assets, net	2,483,498	(109,502)	6,833	(380,862)	1,986,301
Governmental activities capital assets, net	\$ 2,592,676	\$ (109,502)	\$ 6,833	\$ (380,862)	\$ 2,095,479

Adjustments were needed to reflect the prior year disposal of various items of buildings, mobile equipment, and furniture and equipment.

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 46,554
Support services	64,473
Non-instructional	16,928
Total depreciation expense	\$ 127,955

Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. Obligations under capital leases	\$	112,079	39,151	72,928	35,596
B. Installment purchases loans payable	224,823		53,574	171,249	55,291
C. Qualified school construction bonds payable	1,450,000			1,450,000	-
D. Compensated absences payable	43,689		2,656	41,033	2,052
Total	\$ 1,718,512	\$ 112,079	\$ 95,381	\$ 1,735,210	\$ 92,939

A. Obligations under capital leases

The school district has entered into lease agreements as lessee for financing the acquisition of IPADs at a cost of \$81,280 and IPAD carts at a cost of \$30,799. These leases qualify as capital leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Apple IPAD lease	4.60%	10/9/2015	10/9/2017	\$ 81,280	\$ 52,960
2. Apple IPAD carts lease	5.60%	10/9/2015	10/9/2017	30,799	19,968
Total				\$ 112,079	\$ 72,928

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

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2017	\$ 35,596	3,555	39,151
2018	37,332	1,819	39,151
Total	\$ <u>72,928</u>	<u>5,374</u>	<u>78,302</u>

This debt will be retired from the Title I Basic Fund (Special Revenue Fund).

B. Installment purchases loans payable

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

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

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Installment purchase agreement	3.14%	12/19/2012	12/19/2018	\$ <u>387,812</u>	\$ <u>171,249</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 55,291	\$ 5,491	\$ 60,782
2018	57,064	3,718	60,782
2019	58,894	1,888	60,782
Total	\$ <u>171,249</u>	\$ <u>11,097</u>	\$ <u>182,346</u>

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

C. 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:

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$	\$ 3,625	\$ 3,625
2018		3,625	3,625
2019		3,625	3,625
2020		3,625	3,625
2021		3,625	3,625
2022 - 2026		18,125	18,125
2027 - 2028	1,450,000	7,250	1,457,250
Total	\$ 1,450,000	\$ 43,500	\$ 1,493,500

D. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$617,712, \$636,825 and \$678,841, respectively, which equaled the required contributions for each year.

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

At June 30, 2016, the school district reported a liability of \$10,004,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.064720 percent, which was based on a measurement date of June 30, 2015. This was a decrease of 0.005816 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$566,958. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	287,524	\$	
Net difference between projected and actual earnings on pension plan investments				655,726
Changes of assumptions		861,848		
Changes in proportion and differences between District contributions and proportionate share of contributions		(48,044)		516,602
District contributions subsequent to the measurement date				
Total	\$	617,712 1,719,040	\$	1,172,328

\$617,712 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (105,599)
2018	(78,499)
2019	(33,244)
2020	146,342

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 13,186,763	\$ 10,004,436	\$ 7,363,699

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

Note 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2017	\$ 161,755
2018	146,937
2019	140,837
2020	140,837
2021	140,837
Total	<u>\$ 731,203</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.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 10 – Risk Management

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

Note 11 – Qualified School Construction Bonds

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

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

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, 2016 was \$426,059, which included accrued income of \$3,281. 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.

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

Year Ending June 30	Amount
2017	\$ 85,294
2018	85,294
2019	85,294
2020	85,294
2021	85,294
2022 – 2026	426,470
2027 – 2028	170,590
Total	<u>\$ 1,023,530</u>

Note 12 – Vocational School Consortium

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

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

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

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$8,868,894) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,719,040 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$8,868,894) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,172,328 balance of deferred inflow of resources, at June 30, 2016 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

HOLLANDALE SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

Note 14 – Prior Period Adjustment

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Adjustments were needed to reflect the prior year disposal of various items of buildings, mobile equipment, and furniture and equipment.	\$ <u>(380,862)</u>

Note 15 – Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

HOLLANDALE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,352,494	\$ 1,479,170	\$ 1,479,170	\$ 126,676	\$ -
State sources	3,492,025	3,471,483	3,471,483	(20,542)	-
Federal sources	30,000	9,402	9,402	(20,598)	-
Sixteenth section sources	-	270,592	270,592	270,592	-
Total Revenues	4,874,519	5,230,647	5,230,647	356,128	-
Expenditures:					
Instruction	2,864,684	2,939,999	2,939,999	(75,315)	-
Support services	2,269,301	2,551,832	2,551,832	(282,531)	-
Sixteenth section	-	7,630	7,630	(7,630)	-
Debt service:					
Principal	61,000	53,574	53,574	7,426	-
Interest	-	7,208	7,208	(7,208)	-
Other	-	1,652	1,652	(1,652)	-
Total Expenditures	5,194,985	5,561,895	5,561,895	(366,910)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(320,466)	(331,248)	(331,248)	(10,782)	-
Other Financing Sources (Uses):					
Sale of other property	-	851	851	851	-
Operating transfers in	382,000	369,420	32,051	(12,580)	(337,369)
Operating transfers out	(61,730)	(492,582)	(155,213)	(430,852)	337,369
Total Other Financing Sources (Uses)	320,270	(122,311)	(122,311)	(442,581)	-
Net Change in Fund Balances	(196)	(453,559)	(453,559)	(453,363)	-
Fund Balances:					
July 1, 2015	949,064	994,797	994,797	45,733	-
June 30, 2016	\$ 948,868	\$ 541,238	\$ 541,238	\$ (407,630)	\$ -

HOLLANDALE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Basic Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 175	\$ 175	\$ 175	\$ -
Federal sources	792,635	1,007,460	1,007,460	214,825	-
Total Revenues	792,635	1,007,635	1,007,635	215,000	-
Expenditures:					
Instruction	626,622	675,964	728,924	(49,342)	(52,960)
Support services	158,087	320,712	340,680	(162,625)	(19,968)
Noninstructional services	7,926	10,959	10,959	(3,033)	-
Debt service:					
Principal	-	-	39,151	-	(39,151)
Total Expenditures	792,635	1,007,635	1,119,714	(215,000)	(112,079)
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	(112,079)	-	(112,079)
Other Financing Sources (Uses):					
Capital leases issued	-	-	112,079	-	112,079
Total Other Financing Sources (Uses)	-	-	112,079	-	112,079
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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

Hollandale School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 10,004,436	8,561,779
District's proportionate share of the net pension liability (asset)	0.064720%	0.070536%
District's covered - employee payroll	4,043,333	4,310,102
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

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

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

Hollandale School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 617,712	636,825
Contributions in relation to the contractually required contribution	617,712	636,825
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>-</u></u>
District's covered - employee payroll	3,921,981	4,043,333
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

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

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

Hollandale School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2016

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

HOLLANDALE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 127,487
National School Lunch Program	10.555	351,958
Summer Food Service Program for Children	10.559	57,714
Total Child Nutrition Cluster		<u>537,159</u>
Total passed-through the Mississippi Department of Education		<u>537,159</u>
Total U.S. Department of Agriculture		<u><u>537,159</u></u>
 <u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,007,635
Supporting Effective Instruction State Grant	84.367	84,748
School Improvement Grants	84.377	190,484
Subtotal		<u>1,282,867</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	195,571
Special Education - Preschool Grants	84.173	2,194
Total Special Education Cluster		<u>197,765</u>
Total passed-through the Mississippi Department of Education		<u>1,480,632</u>
Total U.S. Department of Education		<u><u>1,480,632</u></u>
 <u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance program	93.778	9,020
Total passed-through the Mississippi Department of Education		<u>9,020</u>
Total U.S. Department of Health and Human Services		<u><u>9,020</u></u>
 Total for All Federal Awards		 \$ <u><u>2,026,811</u></u>

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

HOLLANDALE SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	5,461,133	4,069,995	559,890	246,769	584,479
Other	<u>2,785,530</u>	<u>1,016,773</u>	<u>549,255</u>	<u>6,689</u>	<u>1,212,813</u>
Total	<u>\$ 8,246,663</u>	<u>5,086,768</u>	<u>1,109,145</u>	<u>253,458</u>	<u>1,797,292</u>
Total number of students *	<u>553</u>				
Cost per student	<u>\$ 14,913</u>	<u>9,199</u>	<u>2,006</u>	<u>458</u>	<u>3,250</u>

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

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

School Administration - includes expenditures for the following functions: 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

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

Hollandale School District

Notes to the Supplementary Information
For the Year Ended June 30, 2016

- (1) Schedule of Expenditures of Federal Awards
 - a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the school district and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
 - b. The pass-through entities did not assign identifying numbers to the school district.
 - c. The school district did not elect to use the 10% de minimis indirect cost rate.
 - d. Donated commodities of \$29,701 are included in the National School Lunch Program.
- (2) Schedule of Instructional Administrative and Other Expenditures - Governmental Funds
 - a. This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

HOLLANDALE SCHOOL DISTRICT

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

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 1,479,170	1,266,391	1,338,426	1,266,201
State sources	3,471,483	3,531,834	3,622,003	3,475,968
Federal sources	9,402	54,838	94,987	19,343
Sixteenth section sources	270,592	166,768		
Total Revenues	<u>5,230,647</u>	<u>5,019,831</u>	<u>5,055,416</u>	<u>4,761,512</u>
Expenditures:				
Instruction	2,939,999	2,884,550	2,559,118	2,904,471
Support services	2,551,832	2,669,175	2,340,618	2,769,558
Sixteenth section	7,630	7,295		
Debt service:				
Principal	53,574	51,910	50,297	60,782
Interest	7,208	8,872	10,485	
Other	1,652			
Total Expenditures	<u>5,561,895</u>	<u>5,621,802</u>	<u>4,960,518</u>	<u>5,734,811</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(331,248)</u>	<u>(601,971)</u>	<u>94,898</u>	<u>(973,299)</u>
Other Financing Sources (Uses):				
Proceed of loans				387,812
Sale of other property	851			
Operating transfers in	32,051	51,699	672,932	271,260
Operating transfers out	(155,213)	(120,240)	(106,229)	(101,969)
Other financing uses		(11,576)	(82,369)	(2,289)
Total Other Financing Sources (Uses)	<u>(122,311)</u>	<u>(80,117)</u>	<u>484,334</u>	<u>554,814</u>
Net Change in Fund Balances	<u>(453,559)</u>	<u>(682,088)</u>	<u>579,232</u>	<u>(418,485)</u>
Fund Balances:				
July 1, as previously reported	994,797	1,631,949	1,052,717	1,471,202
Prior period adjustments		44,936		
July 1, as restated	<u>994,797</u>	<u>1,676,885</u>	<u>1,052,717</u>	<u>1,471,202</u>
June 30,	<u>\$ 541,238</u>	<u>994,797</u>	<u>1,631,949</u>	<u>1,052,717</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

HOLLANDALE SCHOOL DISTRICT

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

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 1,576,628	1,359,349	1,434,217	1,362,098
Intermediate sources	3,883,843	3,826,641	3,869,494	3,917,079
State sources	2,027,007	2,400,177	4,057,407	4,621,113
Federal sources	270,643	166,806	192,624	157,944
Total Revenues	<u>7,758,121</u>	<u>7,752,973</u>	<u>9,553,742</u>	<u>10,058,234</u>
Expenditures:				
Instruction	4,420,268	4,181,941	4,517,859	4,926,409
Support services	3,241,110	3,686,382	4,094,194	5,105,844
Noninstructional services	471,581	404,240	435,495	504,517
Sixteenth section	7,630	17,486	10,293	7,130
Debt service:				
Principal	92,725	51,910	50,297	80,782
Interest	10,833	12,497	14,110	4,565
Other	2,516	647	1,050	1,050
Total Expenditures	<u>8,246,663</u>	<u>8,355,103</u>	<u>9,123,298</u>	<u>10,630,297</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(488,542)</u>	<u>(602,130)</u>	<u>430,444</u>	<u>(572,063)</u>
Other Financing Sources (Uses):				
Proceed of loans				387,812
Capital leases issued	112,079			
Payment held by escrow agent	67,753	79,685	81,804	85,294
Payment to QSCB debt escrow agent	(67,753)	(79,685)	(81,804)	(85,294)
Sale of other property	851			
Operating transfers in	197,264	205,438	803,447	401,545
Operating transfers out	(197,264)	(205,438)	(803,447)	(401,545)
Other financing uses		(11,576)	(82,369)	(2,289)
Total Other Financing Sources (Uses)	<u>112,930</u>	<u>(11,576)</u>	<u>(82,369)</u>	<u>385,523</u>
Net Change in Fund Balances	<u>(375,612)</u>	<u>(613,706)</u>	<u>348,075</u>	<u>(186,540)</u>
Fund Balances:				
July 1,	2,121,530	2,729,683	2,383,943	2,573,822
Increase (decrease) in inventory	3,119	5,553	(2,335)	(3,339)
June 30,	<u>\$ 1,749,037</u>	<u>2,121,530</u>	<u>2,729,683</u>	<u>2,383,943</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Hollandale School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hollandale School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Hollandale School District's basic financial statements, and have issued our report thereon dated July 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying, schedule of finding and questioned cost, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

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 a material weakness as Finding 2016-001.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that

is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as Findings 2016-002 and 2016-003.

Compliance and Other Matters

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

Hollandale School District's Response to Findings

The Hollandale School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. The Hollandale School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
July 26, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Superintendent and School Board
Hollandale School District

Report on Compliance for Each Major Federal Program

We have audited Hollandale School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hollandale School District's major federal program for the year ended June 30, 2016. The Hollandale School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Hollandale School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hollandale School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Hollandale School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hollandale School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
July 26, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, which collectively comprise Hollandale School District's basic financial statements and have issued our report thereon dated July 26, 2017. 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 ensure 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 \$0 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 ensure 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 disclosed the following instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Finding 1:

Criteria:

Section 29-3-121, Miss. Code Ann. (1972) provides, “it shall be the duty of the Superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed by the Superintendent of the custodial school district on or before December 31 of each year, and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year.”

Condition:

During our test of sixteenth section revenue, we noted that the educable child list was not sent by December 31.

Cause:

The cause of the above condition is primarily due to management not prioritizing adherence with state compliance.

Effect:

Noncompliance with Section 29-3-121, Miss. Code Ann. (1972), could result in the District not receiving their pro rata share of sixteenth section revenue from other school districts or having to repay other districts.

Recommendation:

We recommend that the District implement policies and procedures to ensure all lists are prepared and sent to appropriate school districts by December 31 of each year, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

Response:

The District will implement procedures to ensure all lists are prepared and sent to appropriate school districts by December 31 of each year, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

The Office of the State Auditor or a public accounting firm will review, on the subsequent year’s audit engagement, the finding in this report to ensure that corrective action has been taken.

The Hollandale School District’s response to the finding included in this report was not audited 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 26, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hollandale School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weakness

Finding 2016-001:

Criteria:

A sound system of internal controls should be in place to ensure all assets are properly recorded according to the *Financial Accounting Manual for Mississippi Public School Districts*.

Condition:

The district's capital assets did not reflect the disposal of various items of buildings, mobile equipment, and furniture and equipment.

Effect:

These weaknesses, if not corrected, may cause the financial statements to be misstated. As a result, various audit adjustments were made to eliminate disposed capital assets.

Cause:

The District did not have controls in place to help them detect which capital assets should have been disposed of as part of capital asset procedures.

Recommendation:

The district will implement procedures and internal controls with regard to the disposal of capital assets by reconciling these items monthly to current month additions and board approved disposals of equipment.

Significant Deficiencies

Finding 2016-002:

Criteria:

The internal controls surrounding capital assets should provide the district with assurance that capital assets are properly documented and all capital assets are safeguarded.

Condition:

While performing our capital assets test, several items were noted on the capital asset listing that could not be located or were located in areas that did not agree with the capital asset listing.

Cause:

Internal control procedures were not in place to ensure the capital asset listing agrees with the actual location of the assets and to make sure all capital assets are accounted for in the district.

Effect:

Without strong internal controls surrounding capital assets, the district is at risk of fraud as well as misstatement of capital assets.

Recommendation:

We recommend the district implement policies and procedures to make sure their capital asset listing is accurate and all assets are located.

Finding 2016-003:

Criteria:

A sound system of internal controls ensures strong financial accountability and safeguarding of assets.

Condition:

We noted 3 of 8 athletic gates receipts were not deposited timely.

Effect:

Untimely deposits increase the risk of unauthorized or inappropriate use of these funds.

Cause:

Controls were not in place to ensure deposits are made in a timely manner.

Recommendation:

Procedures should be communicated to employees responsible for deposit of funds regarding timeliness of deposits.

Section III: Federal Awards Findings and Questioned Costs

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

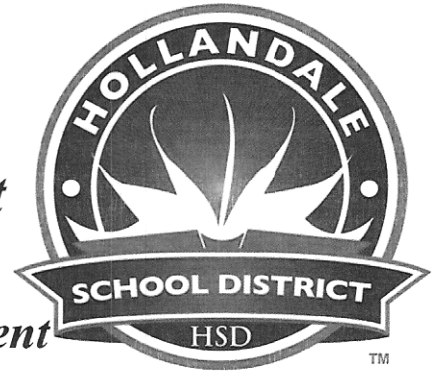
**AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS**

Hollandale School District

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

Mario Willis, Ed.D., Interim Superintendent

mwillis2@hollandalesd.org



Doretha Crowley
Administrative Assistant

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), 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 Cost for the year ended June 30, 2016:

Finding

Corrective Action Plan Details

2016-001

a. Name of Contact Person Responsible for Corrective Action

Name: Gwendolyn Williams, LaTarsha Brown, & Peggy Adams
Phone Number: 662-827-2276

b. Corrective Action Planned: The district is currently performing a 100% internal fixed asset audit to ensure we account for all fixed/capital assets. We are updating, policies/procedures to improve on how we account for all our assets and will make it a part of our New Teacher Orientation and communicate to returning staff via Convocation. The district will implement/update procedures with regard to fixed/capital assets by reconciling these items on a monthly basis to include board approved additions /deletions and/or disposals.

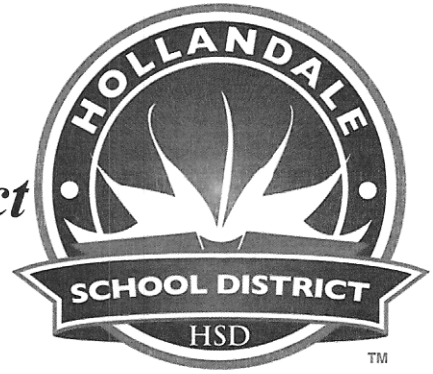
c. Anticipated Completion Date: 08/31/2017

Hollandale School District

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

Dr. Mario Willis, Superintendent

mwillis2@hollandalesd.org



Doretha Crowley
Administrative Assistant

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), 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 Cost for the year ended June 30, 2016:

2016-002

a. Name of Contact Person Responsible for Corrective Action

Name: Gwendolyn Williams, LaTarsha Brown, Peggy Adams
Phone Number: 662-827-2276

b. Corrective Action Planned: The district will make available to employees a fixed asset list to ensure all assets at the beginning of the school year is accounted for in each room and any additions or deletions will be recorded on a District Additions/Deletion form. This list will be updated according to board approvals of additions, disposals or deletions.

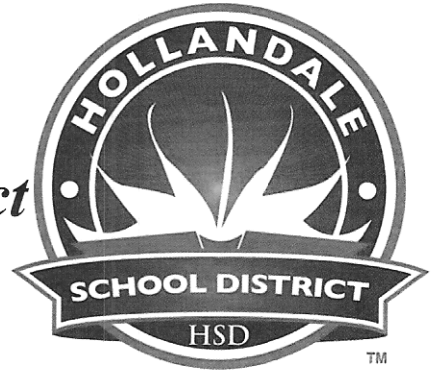
c. Anticipated Completion Date: 08/30/2017

Hollandale School District

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

Dr. Mario Willis, Superintendent

mwillis2@hollandalesd.org



Doretha Crowley
Administrative Assistant

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), 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 Cost for the year ended June 30, 2016:

2016-003

- a. Name of Contact Person Responsible for Corrective Action

Name: Secretaries, Principals, Athletic Director
Phone Number: 662-827-2276
- b. Corrective Action Planned: Our Policy/Procedures Handbook describes the process and importance of timely depositing all funds and have been communicated to all employees who currently deposit funds.
- c. Anticipated Completion Date: Ongoing as new employees are hired and communicated finance policies/procedures.

Hollandale School District

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

Angela F. Johnson, Superintendent

ajohnson@hollandalesd.org



Doretha Crowley
Gwendolyn Williams

Administrative Assistant
Business Manager

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Hollandale School District has prepared and hereby submits the following prior year Audit findings follow-up as of June 30, 2016:

Finding
2015-001

Status
Corrected

Telephone #: (662) 827-2276 Fax #: (662) 827-5261