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HOLLANDALE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2017

HOLLANDALE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Hollandale School District
Hollandale, Mississippi

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 (the School District or the district) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT
CONTINUED

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2017, 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 management's discussion and analysis, the budgetary comparison information, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of School District Contributions on pages 6-15, 49-51, 52 and 53, 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.

INDEPENDENT AUDITORS' REPORT
CONTINUED

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 - 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.

INDEPENDENT AUDITORS' REPORT
CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2018, on our consideration of the 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 solely 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 the effectiveness of the Hollandale School District's 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 the School District's internal control over financial reporting and compliance.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
Jackson, Mississippi

August 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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 2017 decreased \$159,371, which represents a 2% decrease from fiscal year 2016. 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.
- General revenues amounted to \$5,442,311 and \$5,348,542, or 75% and 69% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,818,810, or 25% of total revenues for 2017, and \$2,410,430, or 31% of total revenues for 2016.
- The District had \$7,420,492 and \$8,215,407 in expenses for fiscal years 2017 and 2016; only \$1,818,810 for 2017 and \$2,410,430 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,442,311 for 2017 and \$5,348,542 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$5,313,411 in revenues and \$5,081,673 in expenditures for 2017, and \$5,230,647 in revenues and \$5,561,895 in expenditures in 2016. The General Fund's fund balance increased by \$279,421 from 2016 to 2017, and decreased by \$453,559 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$119,848 for 2017 and decreased by \$497,197 for 2016. The decrease for 2017 was due to the disposal of mobile equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$98,235 for 2017 and increased by \$16,698 for 2016. The decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$7,348 for 2017 and decreased by \$2,656 for 2016.

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

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

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Fund Financial Statements, Governmental funds, Continued

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.

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

Reconciliation of Government-wide and Fund Financial Statements

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the School District's Proportionate Share of the Net Pension Liability, and Schedule of School 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 - 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, are 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 \$7,513,263 as of June 30, 2017.

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

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Net position, CONTINUED

assets and the depreciation of capital assets.

Table 1 presents a summary of the School District's net position at June 30, 2017 and 2016.

Table 1
Condensed Statements of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 1,373,123	\$ 1,398,407	(1.81) %
Restricted assets	542,808	447,955	21.17 %
Capital assets, net	1,975,631	2,095,479	(5.72) %
Total assets	3,891,562	3,941,841	(1.28) %
 Deferred outflows of resources	 2,121,046	 1,719,040	 23.39 %
 Current liabilities	 63,169	 102,799	 (38.55) %
Long-term debt outstanding	1,636,975	1,735,210	(5.66) %
Net pension liability	10,950,961	10,004,436	9.46 %
Total liabilities	12,651,105	11,842,445	6.83 %
 Deferred inflows of resources	 874,766	 1,172,328	 (25.38) %
 Net position:			
Net investment in capital assets	372,341	401,302	(7.22) %
Restricted	943,479	1,113,700	(15.28) %
Unrestricted	(8,829,083)	(8,868,894)	0.45 %
Total net position	\$ (7,513,263)	\$ (7,353,892)	(2.17) %

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 on unrestricted net position:

Total unrestricted net position (deficit)	\$ (8,829,083)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	9,704,681
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 875,598</u>

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

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 \$119,848.
- The principal retirement of \$90,887 of long-term debt.
- Recognition of the net pension liability in the amount of \$10,950,961.

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$7,261,121 and \$7,758,972, respectively. The total cost of all programs and services was \$7,420,492 for 2017 and \$8,215,407 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016

**Table 2
Changes in Net Position**

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 81,329	\$ 79,737	2.00 %
Operating grants and contributions	1,737,481	2,330,693	(25.45) %
General revenues:			
Property taxes	1,339,015	1,281,469	4.49 %
Grants and contributions not restricted	3,716,655	3,580,170	3.81 %
Investment earnings	18,434	13,231	39.32 %
Sixteenth section sources	228,884	270,593	(15.41) %
Other	139,323	203,079	(31.39) %
Total revenues	7,261,121	7,758,972	(6.42) %
Expenses:			
Instruction	3,243,796	4,073,484	(20.37) %
Support services	2,887,773	3,080,461	(6.26) %
Non-instructional	449,308	471,862	(4.78) %
Sixteenth section	4,563	7,630	(40.20) %
Pension expense	823,690	566,958	45.28 %
Interest on long-term liabilities	11,362	15,012	(24.31) %
Total expenses	7,420,492	8,215,407	(9.68) %
Increase (Decrease) in net position	(159,371)	(456,435)	65.08 %
Net Position, July 1, as previously reported	(7,353,892)	(6,516,595)	(12.85) %
Prior Period Adjustment	-	(380,862)	100.00 %
Net Position, July 1, as restated	(7,353,892)	(6,897,457)	(6.62) %
Net Position, June 30	\$ (7,513,263)	\$ (7,353,892)	(2.17) %

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

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.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 3,243,796	\$ 4,073,484	(20.37) %
Support services	2,887,773	3,080,461	(6.26) %
Non-instructional	449,308	471,862	(4.78) %
Sixteenth section	4,563	7,630	(40.20) %
Pension Expense	823,690	566,958	45.28 %
Interest on long-term liabilities	11,362	15,012	(24.31) %
Total expenses	\$ 7,420,492	\$ 8,215,407	(9.68) %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (2,391,463)	\$ (2,837,361)	15.72 %
Support services	(2,354,801)	(2,410,382)	2.31 %
Non-instructional	(15,803)	32,366	(148.83) %
Sixteenth section	(4,563)	(7,630)	40.20 %
Pension Expense	(823,690)	(566,958)	(45.28) %
Interest on long-term liabilities	(11,362)	(15,012)	24.31 %
Total net (expense) revenue	\$ (5,601,682)	\$ (5,804,977)	3.50 %

- Net cost of governmental activities (\$5,601,682 for 2017 and \$5,804,977 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$1,339,015 for 2017 and \$1,281,469 for 2016) and state and federal revenues (\$3,716,655 for 2017 and \$3,580,170 for 2016). In addition, there was \$228,884 and \$270,593 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$18,434 for 2017 and \$13,231 for 2016.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL 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 \$1,856,044, an increase of \$107,007, which includes a decrease in inventory of \$4,657. \$820,481, or 44%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,035,563, or 56%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$279,421. The fund balance of Other Governmental Funds showed a decrease in the amount of \$268,424, which includes a decrease in inventory of \$4,657. 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
Special Education Fund	no increase or decrease
QSCB Sinking Fund	\$ 96,010

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 fund(s) is provided in this report as required supplementary information.

HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$4,568,432, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$12,606 from 2016. Total accumulated depreciation as of June 30, 2017, was \$2,592,801, and total depreciation expense for the year was \$118,588, resulting in total net capital assets of \$1,975,631.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2017	June 30, 2016	Percentage Change
Land	\$ 109,178	\$ 109,178	- %
Buildings	1,548,207	1,595,734	(2.98) %
Mobile equipment	302,455	361,953	(16.44) %
Furniture and equipment	15,791	28,614	(44.81) %
Total	\$ 1,975,631	\$ 2,095,479	(5.72) %

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

Debt Administration. At June 30, 2017, the District had \$1,636,975 in outstanding long-term debt, of which \$96,080 is due within one year. During the fiscal year, the District made principal payments totaling \$90,887 on outstanding long-term debt. The liability for compensated absences decreased \$7,348 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2017	June 30, 2016	Percentage Change
Obligations under capital leases	\$ 37,332	\$ 72,928	(48.81) %
Installment purchase loans payable	115,958	171,249	(32.29) %
Qualified school construction bonds payable	1,450,000	1,450,000	- %
Compensated absences payable	33,685	41,033	(17.91) %
Total	\$ 1,636,975	\$ 1,735,210	(5.66) %

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

**HOLLANDALE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT ISSUES

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

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

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

CONTACTING THE SCHOOL 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, 2017

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,106,308
Due from other governments	254,392
Accrued interest receivable	4,438
Inventories	7,985
Restricted assets	542,808
Capital assets, non-depreciable:	
Land	109,178
Capital assets, net of accumulated depreciation:	
Buildings	1,548,207
Mobile equipment	302,455
Furniture and equipment	15,791
Total Assets	<u>3,891,562</u>
 Deferred Outflows of Resources	
Deferred outflow related to pensions	2,121,046
Total Deferred Outflows of Resources	<u>2,121,046</u>
 Liabilities	
Accounts payable and accrued liabilities	59,800
Unearned revenue	87
Interest payable on long-term liabilities	3,282
Long-term liabilities, due within one year:	
Capital related liabilities	94,396
Non-capital related liabilities	1,684
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,508,894
Non-capital related liabilities	32,001
Net pension liability	10,950,961
Total Liabilities	<u>12,651,105</u>
 Deferred Inflows of Resources	
Deferred inflow related to pensions	874,766
Total Deferred Inflows of Resources	<u>874,766</u>
 Net Position	
Net investment in capital assets	372,341
Restricted for:	
Expendable:	
School-based activities	257,483
Debt service	609,621
Capital improvements	15,725
Forestry improvements	4,883
Unemployment benefits	30,590
Non-expendable:	
Sixteenth section	25,177
Unrestricted	(8,829,083)
Total Net Position (deficit)	<u>\$ (7,513,263)</u>

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

HOLLANDALE SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 3,243,796	\$ 69,831	\$ 782,502	-	\$ (2,391,463)
Support services	2,887,773	-	532,972	-	(2,354,801)
Non-instructional	449,308	11,498	422,007	-	(15,803)
Sixteenth section	4,563	-	-	-	(4,563)
Pension expense	823,690	-	-	-	(823,690)
Interest on long-term liabilities	11,362	-	-	-	(11,362)
Total Governmental Activities	\$ 7,420,492	\$ 81,329	\$ 1,737,481	-	\$ (5,601,682)

General Revenues:

Taxes:

General purpose levies	1,274,771
Debt purpose levies	64,244

Unrestricted grants and contributions:

State	3,578,482
Federal	138,173
Unrestricted investment earnings	18,434
Sixteenth section sources	228,884
Other	139,323
Total General Revenues	5,442,311

Change in Net Position (159,371)

Net Position - Beginning, as previously reported (7,353,892)
Prior Period Adjustments -

Net Position - Beginning, as restated (7,353,892)

Net Position (deficit) - Ending \$ (7,513,263)

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

HOLLANDALE SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2017

	Major Funds				Other	Total
	General	Title I Basic	Special Education	QSCB Sinking	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 626,046	\$ -	\$ -	\$ -	505,439	\$ 1,131,485
Cash with fiscal agents	-	-	-	6,137	-	6,137
Investments	-	-	-	511,494	-	511,494
Due from other governments	50,408	111,658	52,108	-	40,218	254,392
Accrued interest receivable	-	-	-	4,438	-	4,438
Due from other funds	200,197	-	-	-	-	200,197
Inventories	-	-	-	-	7,985	7,985
Total assets	\$ 876,651	\$ 111,658	\$ 52,108	\$ 522,069	\$ 553,642	\$ 2,116,128
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 55,992	\$ 394	\$ 403	\$ -	3,011	\$ 59,800
Due to other funds	-	111,264	51,705	-	37,228	200,197
Unavailable revenue - federal programs	-	-	-	-	87	87
Total Liabilities	55,992	111,658	52,108	-	40,326	260,084
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	7,985	7,985
Permanent fund principal	-	-	-	-	25,177	25,177
Restricted:						
Debt service	-	-	-	522,069	90,834	612,903
Capital projects	-	-	-	-	15,725	15,725
Forestry improvement purposes	-	-	-	-	4,883	4,883
Grant activities	-	-	-	-	116,747	116,747
Unemployment benefits	-	-	-	-	30,590	30,590
Child nutrition	-	-	-	-	132,751	132,751
Assigned:						
Capital projects	-	-	-	-	88,624	88,624
Activity funds	178	-	-	-	-	178
Unassigned	820,481	-	-	-	-	820,481
Total Fund Balances	820,659	-	-	522,069	513,316	1,856,044
Total Liabilities and Fund Balances	\$ 876,651	\$ 111,658	\$ 52,108	\$ 522,069	\$ 553,642	\$ 2,116,128

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

HOLLANDALE SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Exhibit C-1

Total fund balances for governmental funds \$ 1,856,044

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	869,427	
Furniture and equipment	623,705	
Accumulated depreciation	(2,592,801)	1,975,631

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	(10,950,961)	
-----------------------	--------------	--

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	2,121,046	
Deferred inflows of resources related to pensions	(874,766)	(9,704,681)

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	(115,958)	
Capital lease obligations	(37,332)	
Compensated absences	(33,685)	
Accrued interest payable	(3,282)	(1,640,257)

Net Position of governmental activities \$ (7,513,263)

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

HOLLANDALE SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

Exhibit D

	Major Funds				Other	Total
	General	Title I Basic	Special Education	QSCB Sinking	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Revenues:						
Local sources	\$ 1,482,006	\$ -	\$ -	12,263	\$ 83,714	\$ 1,577,983
State sources	3,464,347	-	-	-	313,937	3,778,284
Federal sources	138,174	642,552	206,439	-	688,686	1,675,851
Sixteenth section sources	228,884	-	-	-	119	229,003
Total Revenues	5,313,411	642,552	206,439	12,263	1,086,456	7,261,121
Expenditures:						
Instruction	2,625,603	440,640	77,316	-	413,820	3,557,379
Support services	2,390,117	155,008	129,123	-	360,234	3,034,482
Noninstructional services	-	8,535	-	-	440,057	448,592
Sixteenth section	4,563	-	-	-	-	4,563
Debt service:						
Principal	55,291	35,596	-	-	-	90,887
Interest	6,099	2,773	-	-	3,625	12,497
Other	-	-	-	-	1,057	1,057
Total Expenditures	5,081,673	642,552	206,439	-	1,218,793	7,149,457
Excess (Deficiency) of Revenues over (under) Expenditures	231,738	-	-	12,263	(132,337)	111,664
Other Financing Sources (Uses):						
Payments held by escrow agent	-	-	-	83,747	-	83,747
Payment to QSCB debt escrow agent	-	-	-	-	(83,747)	(83,747)
Operating transfers in	129,119	-	-	-	138,141	267,260
Operating transfers out	(81,436)	-	-	-	(185,824)	(267,260)
Total Other Financing Sources (Uses)	47,683	-	-	83,747	(131,430)	-
Net Change in Fund Balances	279,421	-	-	96,010	(263,767)	111,664
Fund Balances:						
July 1, 2016	541,238	-	-	426,059	781,740	1,749,037
Increase (Decrease) in inventory	-	-	-	-	(4,657)	(4,657)
June 30, 2017	\$ 820,659	\$ -	\$ -	522,069	\$ 513,316	\$ 1,856,044

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

HOLLANDALE SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2017**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 111,664

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

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

Capital outlay	\$ -	
Depreciation expense	(118,588)	(118,588)

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.

(1,260)

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:

Payments of debt principal	90,887	
Accrued interest payable	2,192	93,079

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	(823,690)	
Recording of contributions made subsequent to the measurement date	576,733	(246,957)

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	7,348	
Change in inventory	(4,657)	2,691

Change in Net Position of governmental activities \$ (159,371)

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

HOLLANDALE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 216,404
Total Assets	<u>\$ 216,404</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 210,183
Due to student clubs	6,221
Total Liabilities	<u>\$ 216,404</u>

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

NOTES TO THE FINANCIAL STATEMENTS

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

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.
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.

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

B. Government-wide and Fund Financial Statements, Continued

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.

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

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:

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

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

B. Government-wide and Fund Financial Statements, Continued

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

Accounts Payable Clearing Fund - This fund is used as a clearing fund for accounts payable type transactions.

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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, Continued
For Year Ended June 30, 2017

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

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.

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, 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.

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies, Continued

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances, Continued

2. Interfund Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of 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 Sixteenth section principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies, Continued

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances, Continued

6. Capital Assets

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

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

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

The following schedule details the capitalization threshold:

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

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

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies, Continued

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances, Continued

7. Deferred outflows/inflows of resources

In addition to assets, the Statement of Financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 13 for further details.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies, Continued

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

9. Long-term Liabilities and Bond Discounts/Premiums

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.

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.

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies, Continued

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

11. Fund Balances, Continued

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 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.

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

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 20 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.

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents and Investments, Continued

Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,131,485 and \$216,404, 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, 2017, none of the District's bank balance of \$1,628,047 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 \$6,137.

Investments

As of June 30, 2017, the School District had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS	N/A	10 to 15 years	\$ 511,494
Total			<u>\$ 511,494</u>

The School 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 School District has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury SLGS Deposit of \$511,494 is valued using quoted market prices (Level 1 inputs).

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents and Investments, Continued

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

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The School 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 School 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 School District does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five (5) 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	\$ 111,264
	Special Education Fund	51,705
	Other governmental funds	37,228
Total		<u>\$ 200,197</u>

Interfund transfers represent transfers of indirect costs from certain federal programs and operating transfers from the General Fund to various governmental funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 81,436
	General Fund	129,119
	Other governmental funds	56,705
Total		<u>\$ 267,260</u>

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

B. Inter-fund Transfers, Continued

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$25,177 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$6,137 and \$511,494, 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 7/1/2016	Increases	Decreases	Balance 6/30/2017
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	2,966,122			2,966,122
Mobile equipment	882,033		12,606	869,427
Furniture and equipment	623,705			623,705
Total depreciable capital assets	4,471,860	-	12,606	4,459,254
<u>Less accumulated depreciation for:</u>				
Buildings	1,370,388	47,527		1,417,915
Mobile equipment	520,080	58,238	11,346	566,972
Furniture and equipment	595,091	12,823		607,914
Total accumulated depreciation	2,485,559	118,588	11,346	2,592,801
Total depreciable capital assets, net	1,986,301	(118,588)	1,260	1,866,453
Governmental activities capital assets, net	\$ 2,095,479	\$ (118,588)	\$ 1,260	\$ 1,975,631

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 41,950
Support services	63,736
Non-instructional	12,902
Total depreciation expense - Governmental activities	\$ 118,588

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Obligations under capital leases	\$ 72,928	\$	\$ 35,596	\$ 37,332	\$ 37,332
B. Installment purchases loans payable	171,249		55,291	115,958	57,064
C. Qualified school construction bonds payable	1,450,000			1,450,000	-
D. Compensated absences payable	41,033		7,348	33,685	1,684
Total	\$ 1,735,210	\$ -	\$ 98,235	\$ 1,636,975	\$ 96,080

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.

Debt currently outstanding is as follows:

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	\$ 27,076
2. IPAD cart lease	5.60%	10/9/2015	10/9/2017	30,799	10,256
Total				\$ 112,079	\$ 37,332

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 37,332	\$ 1,819	\$ 39,151
Total	\$ 37,332	\$ 1,819	\$ 39,151

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 purchase agreement as listed below. Property under this installment purchase agreement is composed of:

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

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 6 – Long-term Liabilities, Continued

B. Installment purchases loans payable, Continued

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Installment purchase agreement	3.14%	12/19/2012	12/19/2018	\$ 387,812	\$ 115,958
Total				<u>\$ 387,812</u>	<u>\$ 115,958</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 57,064	\$ 3,718	\$ 60,782
2019	58,894	1,888	60,782
Total	<u>\$ 115,958</u>	<u>\$ 5,606</u>	<u>\$ 121,564</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:

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 3,625	\$ 3,625
2019	-	3,625	3,625
2020	-	3,625	3,625
2021	-	3,625	3,625
2022	-	3,625	3,625
2023 – 2027	-	18,125	18,125
2028	1,450,000	3,625	1,453,625
Total	<u>\$ 1,450,000</u>	<u>\$ 39,875</u>	<u>\$ 1,489,875</u>

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 6 – Long-term Liabilities, Continued

D. Compensated absence payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 7 – Defined Benefit Pension Plan, Continued

General Information about the Pension Plan

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, 2017 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, 2017, 2016 and 2015 were \$576,733, \$617,712 and \$636,825, 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, 2017, the School District reported a liability of \$10,950,961 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 0.061307 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.003413 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$823,690. At June 30, 2017 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	\$ 315,487	\$
Net difference between projected and actual earnings on pension plan investments	683,834	
Changes of assumptions	544,992	29,100
Changes in proportion and differences between School District contributions and proportionate share of contributions		845,666
School District contributions subsequent to the measurement date	576,733	
Total	\$ 2,121,046	\$ 874,766

\$576,733 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, 2018. Other amounts reported as deferred outflows

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

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

of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	Amount
2018	\$ 44,935
2019	90,189
2020	318,084
2021	216,339

Actuarial assumptions. The total pension liability in the June 30, 2016 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.

The actuarial assumptions used in the June 30, 2016 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:

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 7 – Defined Benefit Pension Plan, Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	.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. 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 the current employer contribution 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 members. 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 School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ <u>14,041,587</u>	\$ <u>10,950,961</u>	\$ <u>8,386,743</u>

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

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

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
2018	\$	140,837
2019		140,837
2020		140,837
Total	\$	<u>422,511</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 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)

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 11 – Qualified School Construction Bonds, Continued

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 subsidy 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, 2017 was \$522,069, which included accrued income of \$4,438. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2018	\$ 85,294
2019	85,294
2020	85,294
2021	85,294
2022	85,294
2023 – 2027	426,471
2028	85,295
Total	<u>\$ 938,236</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

HOLLANDALE SCHOOL DISTRICT
Notes to the Financial Statements, Continued
For Year Ended June 30, 2017

Note 12 – Vocational School Consortium

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 for those students.

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$8,829,083) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$576,733 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$1,544,313 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next four (4) years. The \$874,766 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next three (3) years.

Note 14 – 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 School District evaluated the activity of the district through August 10, 2018 and determined that no events requiring disclosure have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

HOLLANDALE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,422,923	\$ 1,482,006	\$ 1,482,006	\$ 59,083	\$ -
State sources	3,450,110	3,464,347	3,464,347	14,237	-
Federal sources	30,000	138,174	138,174	108,174	-
Sixteenth section sources	237,000	228,884	228,884	(8,116)	-
Total Revenues	5,140,033	5,313,411	5,313,411	173,378	-
Expenditures:					
Instruction	2,958,935	2,625,603	2,625,603	333,332	-
Support services	2,243,141	2,390,117	2,390,117	(146,976)	-
Sixteenth section	7,300	4,563	4,563	2,737	-
Debt service:					
Principal	-	61,390	55,291	(61,390)	6,099
Interest	-	-	6,099	-	(6,099)
Other	61,000	-	-	61,000	-
Total Expenditures	5,270,376	5,081,673	5,081,673	188,703	-
Excess (Deficiency) of Revenues over (under) Expenditures	(130,343)	231,738	231,738	362,081	-
Other Financing Sources (Uses):					
Operating transfers in	367,000	435,019	129,119	68,019	(305,900)
Operating transfers out	(236,850)	(387,336)	(81,436)	(150,486)	305,900
Total Other Financing Sources (Uses)	130,150	47,683	47,683	(82,467)	-
Net Change in Fund Balances	(193)	279,421	279,421	279,614	-
Fund Balances:					
July 1, 2016	541,238	541,238	541,238	-	-
June 30, 2017	\$ 541,045	\$ 820,659	\$ 820,659	\$ 279,614	\$ -

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

HOLLANDALE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Basic Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 784,722	\$ 642,552	\$ 642,552	\$ (142,170)	\$ -
Total Revenues	784,722	642,552	642,552	(142,170)	-
Expenditures:					
Instruction	575,630	480,010	440,640	95,620	39,370
Support services	194,583	155,057	155,008	39,526	49
Noninstructional services	14,509	8,535	8,535	5,974	-
Debt service:					
Principal	-	-	35,596	-	(35,596)
Interest	-	-	2,773	-	(2,773)
Total Expenditures	784,722	643,602	642,552	141,120	1,050
Excess (Deficiency) of Revenues over (under) Expenditures	-	(1,050)	-	(1,050)	1,050
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	(1,050)	-	(1,050)	1,050
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ (1,050)	\$ -	\$ (1,050)	\$ 1,050

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

HOLLANDALE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Special Education Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 274,604	\$ 206,439	\$ 206,439	\$ (68,165)	\$ -
Total Revenues	274,604	206,439	206,439	(68,165)	-
Expenditures:					
Instruction	108,574	77,316	77,316	31,258	-
Support services	164,630	129,123	129,123	35,507	-
Noninstructional services	400	-	-	400	-
Total Expenditures	273,604	206,439	206,439	67,165	-
Excess (Deficiency) of Revenues over (under) Expenditures	1,000	-	-	(1,000)	-
Other Financing Sources (Uses):					
Operating transfers out	(1,000)	-	-	1,000	-
Total Other Financing Sources (Uses)	(1,000)	-	-	1,000	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

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

HOLLANDALE SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PERS

Last 10 Fiscal Years*

	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.061307%	0.064720%	0.070536%
School District's proportionate share of the net pension liability (asset)	\$ 10,950,961	10,004,436	8,561,779
School District's covered payroll	3,921,981	4,043,333	4,310,102
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the measurement date of June 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 fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the School District has only presented information for the years in which information is available.

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

HOLLANDALE SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 576,733	\$ 617,712	\$ 636,825
Contributions in relation to the contractually required contribution	<u>576,733</u>	<u>617,712</u>	<u>636,825</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered payroll	\$ 3,661,797	\$ 3,921,981	\$ 4,043,333
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the School District has only presented information for the years in which information is available.

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

HOLLANDALE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SUPPLEMENTARY INFORMATION

HOLLANDALE SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

Schedule I

For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 150,101
National School Lunch Program	10.555	323,023
Summer Food Service Program for Children	10.559	4,419
Total Child Nutrition Cluster		<u>477,543</u>
Total passed-through Mississippi Department of Education		<u>477,543</u>
Total U. S. Department of Agriculture		<u>477,543</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	<u>130,067</u>
Total Federal Communications Commission		<u>130,067</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	663,432
Supporting Effective Instruction State Grants	84.367	127,123
School Improvement Grants	84.377	34,681
Subtotal		<u>825,236</u>
Special Education Cluster:		
Special education - grants to states	84.027	206,439
Special education - preschool grants	84.173	28,460
Total Special Education Cluster		<u>234,899</u>
Total Passed-through Mississippi Department of Education		<u>1,060,135</u>
Total U. S. Department of Education		<u>1,060,135</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	8,106
Total Passed-through Mississippi Department of Education		<u>8,106</u>
Total U. S. Department of Health and Human Services		<u>8,106</u>
 Total for All Federal Awards		 <u>\$ 1,675,851</u>

The notes to the Supplementary Information are an integral part of this schedule.

HOLLANDALE SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1. – Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hollandale School District under programs of the federal government for the year ended June 30, 2017. 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). 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 assets, or cash flows of the School District.

NOTE 2. – Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. – Indirect Cost Rate:

The Hollandale School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. – The pass-through entities did not assign identifying numbers to the School District

See the Independent Auditors' Report on Supplementary Information

HOLLANDALE SCHOOL DISTRICT

Supplementary Information

Schedule II

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 5,033,867	\$ 3,549,606	\$ 590,026	\$ 352,240	\$ 541,995
Other	2,115,590	753,837	349,007	3,073	1,009,673
Total	\$ 7,149,457	\$ 4,303,443	\$ 939,033	\$ 355,313	\$ 1,551,668
Total number of students *	542				
Cost per student	\$ 13,191	\$ 7,940	\$ 1,732	\$ 656	\$ 2,863

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

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

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

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

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

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

See the Independent Auditors' Report on Supplementary Information

OTHER INFORMATION

HOLLANDALE SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

Schedule III

General Fund

Last Four Years

UNAUDITED

	<u>2017</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Revenues:				
Local sources	\$ 1,482,006	\$ 1,479,170	\$ 1,266,391	\$ 1,338,426
State sources	3,464,347	3,471,483	3,531,834	3,622,003
Federal sources	138,174	9,402	54,838	94,987
Sixteenth section sources	228,884	270,592	166,768	-
Total Revenues	<u>5,313,411</u>	<u>5,230,647</u>	<u>5,019,831</u>	<u>5,055,416</u>
Expenditures:				
Instruction	2,625,603	2,939,999	2,884,550	2,559,118
Support services	2,390,117	2,551,832	2,669,175	2,340,618
Sixteenth section	4,563	7,630	7,295	-
Debt service:				
Principal	55,291	53,574	51,910	50,297
Interest	6,099	7,208	8,872	10,485
Other	-	1,652	-	-
Total Expenditures	<u>5,081,673</u>	<u>5,561,895</u>	<u>5,621,802</u>	<u>4,960,518</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>231,738</u>	<u>(331,248)</u>	<u>(601,971)</u>	<u>94,898</u>
Other Financing Sources (Uses):				
Proceeds from loans	-	-	-	-
Sale of other property	-	851	-	-
Operating transfer in	129,119	32,051	51,699	672,932
Operating transfers out	(81,436)	(155,213)	(120,240)	(106,229)
Other financing uses	-	-	(11,576)	(82,369)
Total Other Financing Sources (Uses)	<u>47,683</u>	<u>(122,311)</u>	<u>(80,117)</u>	<u>484,334</u>
Net Change in Fund Balances	<u>279,421</u>	<u>(453,559)</u>	<u>(682,088)</u>	<u>579,232</u>
Fund Balances:				
Beginning of period, as previously reported	541,238	994,797	1,631,949	1,052,717
Prior period adjustments	-	-	44,936	-
Beginning of period, as restated	<u>541,238</u>	<u>994,797</u>	<u>1,676,885</u>	<u>1,052,717</u>
End of Period	\$ <u>820,659</u>	\$ <u>541,238</u>	\$ <u>994,797</u>	\$ <u>1,631,949</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.

HOLLANDALE SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

Schedule IV

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 1,577,983	\$ 1,576,628	\$ 1,359,349	\$ 1,434,217
Intermediate source	3,778,284	3,883,843	3,826,641	3,869,494
State sources	1,675,851	2,027,007	2,400,177	4,057,407
Federal sources	229,003	270,643	166,806	192,624
Total Revenues	<u>7,261,121</u>	<u>7,758,121</u>	<u>7,752,973</u>	<u>9,553,742</u>
Expenditures:				
Instruction	3,557,379	4,420,268	4,181,941	4,517,859
Support services	3,034,482	3,241,110	3,686,382	4,094,194
Noninstructional services	448,592	471,581	404,240	435,495
Sixteenth section	4,563	7,630	17,486	10,293
Debt service:				
Principal	90,887	92,725	51,910	50,297
Interest	12,497	10,833	12,497	14,110
Other	1,057	2,516	647	1,050
Total Expenditures	<u>7,149,457</u>	<u>8,246,663</u>	<u>8,355,103</u>	<u>9,123,298</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>111,664</u>	<u>(488,542)</u>	<u>(602,130)</u>	<u>430,444</u>
Other Financing Sources (Uses):				
Capital leases issued	-	112,079	-	-
Payment held by escrow agent	83,747	67,753	79,685	81,804
Payment to QSCB debt escrow agent	(83,747)	(67,753)	(79,685)	(81,804)
Sale of other property	-	851	-	-
Operating transfers in	267,260	197,264	205,438	803,447
Operating transfers out	(267,260)	(197,264)	(205,438)	(803,447)
Other financing uses	-	-	(11,576)	(82,369)
Total Other Financing Sources (Uses)	<u>-</u>	<u>112,930</u>	<u>(11,576)</u>	<u>(82,369)</u>
Net Change in Fund Balances	<u>111,664</u>	<u>(375,612)</u>	<u>(613,706)</u>	<u>348,075</u>
Fund Balances:				
Beginning of period, as previously reported	1,749,037	2,121,530	2,729,683	2,383,943
Increase (Decrease) in reserve for inventory	<u>(4,657)</u>	<u>3,119</u>	<u>5,553</u>	<u>(2,335)</u>
End of Period	\$ <u>1,856,044</u>	\$ <u>1,749,037</u>	\$ <u>2,121,530</u>	\$ <u>2,729,683</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Hollandale School District
Hollandale, Mississippi

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, 2017, and the related notes to financial statements, which collectively comprise Hollandale School District's basic financial statements, and have issued our report thereon dated August 10, 2018.

Internal Control Over Financial Reporting

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

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

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

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

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as item 2017-001 and 2017-002 that we considered to be a significant deficiencies.

Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 test disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

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.


BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
Jackson, Mississippi

August 10, 2018



Member
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Alcide J. Tervalon, Jr., CPA
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Michael B. Bruno, CPA (2011)

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

Superintendent and School Board
Hollandale School District
Hollandale, Mississippi

Report on Compliance for Major Federal Program

We have audited Hollandale School District compliance with the types of compliance described in the *OMB Compliance Supplement* that could have a direct and material effect on Hollandale School District's major federal programs for the year ended June 30, 2017. Hollandale School District's major federal programs are identified in the summary of independent auditors' results section of the accompanying summary schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Hollandale School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hollandale School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of Hollandale School District's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
CONTINUED

Opinion on Each Major Federal Program

In our opinion, Hollandale School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-003. Our opinion on each major federal programs are not modified with respect to this matter.

Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of Hollandale School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hollandale Public 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 the 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 Hollandale School District's internal control over compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
CONTINUED

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

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

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


BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
Jackson, Mississippi

August 10, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Hollandale School District
Hollandale, Mississippi

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, 2017, which collectively comprise Hollandale School District's basic financial statements and have issued our report thereon dated August 10, 2018. 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.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the School District."

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

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS
CONTINUED

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

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

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

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
Jackson, Mississippi

August 10, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOLLANDALE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I: Summary of Auditors' Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|--|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| 5. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 84.027; 84.173 | Special Education 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 | _____ Yes <u> X </u> No |

HOLLANDALE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

Audit Finding Reference Number

2017-001 Lack of Timely Preparation of Financial Statements

Criteria

The District should have systems of internal controls over financial reporting to provide reasonable assurance that financial statements are accurately prepared in a timely manner.

Condition

The District's complete financial statements were not prepared in a timely manner to facilitate the timely completion of the annual audit.

Cause

The District lack the proper internal controls to ensure a timely closing entries and preparation of financial statements.

Effect

The effect of the condition results in a control deficiency of the district financial reporting as it relates to preparation of financial statements. Thereby missing the due date for submission of the single audit reporting deadline.

Recommendation

We recommend that the District implement the necessary internal controls to ensure timely closing and preparation of financial statements.

2017-002 Lack of Timely Deposits

Criteria

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

Condition

We noted 5 of 10 athletic gates receipts were not deposited timely.

Cause

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

HOLLANDALE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

2017-002 Lack of Timely Deposits, Continued

Effect

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

Recommendation

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

Section III: Federal Award Findings and Questioned Costs

Audit Finding Reference Number

2017-003 Reporting

U.S. Department of Education

84.010 - Title I grants to local educational agencies

84.027; 84.173 – Special Education Cluster

Federal Award Year

June 30, 2017

Federal Agency

United States Department of Education

Pass-Through Entity

Mississippi Department of Education

Criteria

In accordance with 2 CFR § 200.512- Report Submission, “the audit must be completed and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.”

Condition

The required data collection form and reporting package to the Federal Audit Clearinghouse was not submitted within established timeframe.

HOLLANDALE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section III: Federal Award Findings and Questioned Costs, Continued

Audit Finding Reference Number

2017-003 Reporting, continued

Cause

There was a delay in preparation of the financial statements on a timely basis.

Effect

The School District did not comply with Federal reporting regulations.

Questioned Costs

For the purposes of this finding, we have not questioned any costs.

Perspective

This finding is an isolated instance, which is prevalent and will result in the auditee being considered not a low-risk auditee in future audit period.

Number of years finding reported

One (1) – 2017

Recommendation

We recommend that the School District strengthen its internal control systems over reporting to ensure single audit reporting package and data collection form are submitted to the Federal Audit Clearinghouse within established timeframe.

View of Management

Management is in agreement.

AUDITEE'S CORRECTIVE ACTION PLAN

Hollandale School District
101 W. Washington Street
Hollandale, Mississippi 38748
Dr. Mario Willis–Superintendent

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 CFR 200.511 (a), 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, 2017.

Finding 2017-001

A. Contact person responsible for corrective action:

Name: Gwendolyn Williams

Title: Business Manager

B. Description of corrective action planned:

The district will work closely with the external accountant to ensure financial statements are prepared timely to ensure adequate time to complete audit report.

C. Anticipated completion date of corrective action:

June 30, 2018

Finding 2017-002

A. Contact person responsible for corrective action:

Name: Secretaries, Principals, Athletic Director

Title: Athletics Director & Principal

B. Description of corrective action planned:

The district will work continue in accordance with its policy and procedure communicate to all employees, the process and the importance of timely deposits of all funds.

C. Anticipated completion date of corrective action:

Ongoing as employees are hired and the business practice policies and procedures are communicated.

Finding 2017-003

A. Contact person responsible for corrective action:

Name: Gwendolyn Williams

Title: Business Manager

B. Description of corrective action planned:

The district will work closely with the external accountant to ensure financial statements are prepared timely to ensure adequate time to complete and submit audit report to the clearinghouse as required.

C. Anticipated completion date of corrective action:

June 30, 2018

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, 2017:

<u>Finding</u>	<u>Status</u>
2016-001	Resolved
2016-002	Resolved
2016-003	2017-002