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**Hollandale School District**

Audited Financial Statements  
For the Year Ended June 30, 2021

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Hollandale School District  
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## FINANCIAL AUDIT REPORT



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Hollandale School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Hollandale School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollandale School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 - 15 and 49- 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2023, on our consideration of the Hollandale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Hollandale School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 15, 2023

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. 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 2021 increased \$390,778, including a prior period adjustment of \$35,292, which represents a 5% increase from fiscal year 2020. Total net position for 2020 decreased \$94,029, including a prior period adjustment of \$4,874, which represents a 1% decrease from fiscal year 2019.
- General revenues amounted to \$5,683,099 and \$5,301,692, or 60% and 67% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,803,652, or 40% of total revenues for 2021, and \$2,589,053, or 33% of total revenues for 2020.
- The District had \$9,131,265 and \$7,989,648 in expenses for fiscal years 2021 and 2020; only \$3,803,652 for 2021 and \$2,589,053 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,683,099 for 2021 were adequate to provide for these programs. General revenues of \$5,301,692 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$5,496,859 in revenues and \$5,763,630 in expenditures for 2021, and \$5,249,059 in revenues and \$5,201,418 in expenditures in 2020. The General Fund's fund balance increased by \$730,089 from 2020 to 2021, including a prior period adjustment of \$22,516, and increased by \$211,870 from 2019 to 2020, including a prior period adjustment of \$10,635.
- Capital assets, net of accumulated depreciation, decreased by \$251,365 for 2021 and increased by \$53,921 for 2020. The decrease for 2021 was due to the disposal of buildings, mobile equipment, and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$27,147 for 2021 and increased by \$170,534 for 2020. The decrease for 2021 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$6,676 for 2021 and increased by \$2,514 for 2020.

**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.

**HOLLANDALE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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, OPEB 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 are reported as governmental funds.

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

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

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

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

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

**HOLLANDALE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

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 and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,054,772 as of June 30, 2021.

**HOLLANDALE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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

Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

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

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 3,175,006	\$ 2,257,572	40.64 %
Restricted assets	895,995	811,599	10.40 %
Capital assets, net	1,595,745	1,847,110	(13.61) %
<b>Total assets</b>	<b>5,666,746</b>	<b>4,916,281</b>	<b>15.26 %</b>
 <b>Deferred outflows of resources</b>	 <b>1,886,675</b>	 <b>1,669,907</b>	 <b>12.98 %</b>
 Current liabilities	614,334	405,993	51.32 %
Long-term debt outstanding	1,636,983	1,664,130	(1.63) %
Net OPEB liability	627,762	747,565	(16.03) %
Net pension liability	10,582,509	10,791,620	(1.94) %
<b>Total liabilities</b>	<b>13,461,588</b>	<b>13,609,308</b>	<b>(1.09) %</b>
 <b>Deferred inflows of resources</b>	 <b>1,146,605</b>	 <b>422,430</b>	 <b>171.43 %</b>
 <b>Net position:</b>			
Net investment in capital assets	(1,804)	229,090	(100.79) %
Restricted	1,421,846	1,358,446	4.67 %
Unrestricted	(8,474,814)	(9,033,086)	6.18 %
<b>Total net position (deficit)</b>	<b>\$ (7,054,772)</b>	<b>\$ (7,445,550)</b>	<b>5.25 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (8,474,814)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	10,470,201
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 1,995,387

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 \$251,365.
- The principal retirement of \$20,471 of long-term debt.



**HOLLANDALE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$9,486,751 and \$7,890,745, respectively. The total cost of all programs and services was \$9,131,265 for 2021 and \$7,989,648 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

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

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,032,667	\$ 56,265	1,735.36 %
Operating grants and contributions	2,770,985	2,532,788	9.40 %
General revenues:			
Property and gaming taxes	1,686,273	1,445,800	16.63 %
Grants and contributions not restricted	3,460,486	3,493,385	(0.94) %
Investment earnings	43,116	37,220	15.84 %
Sixteenth section sources	272,746	236,657	15.25 %
Other	220,478	88,630	148.76 %
<b>Total revenues</b>	<b>9,486,751</b>	<b>7,890,745</b>	<b>20.23 %</b>
<b>Expenses:</b>			
Instruction	3,050,918	3,244,707	(5.97) %
Support services	4,892,026	3,306,701	47.94 %
Non-instructional	352,015	426,286	(17.42) %
Sixteenth section	2,138	-	N/A
Pension expense	811,862	958,591	(15.31) %
OPEB expense	7,539	46,822	(83.90) %
Interest on long-term liabilities	14,767	6,541	125.76 %
<b>Total expenses</b>	<b>9,131,265</b>	<b>7,989,648</b>	<b>14.29 %</b>
<b>Increase (Decrease) in net position</b>	<b>355,486</b>	<b>(98,903)</b>	<b>459.43 %</b>
<b>Net Position (deficit), July 1, as previously reported</b>	<b>(7,445,550)</b>	<b>(7,351,521)</b>	<b>(1.28) %</b>
<b>Prior Period Adjustment</b>	<b>35,292</b>	<b>4,874</b>	<b>624.09 %</b>
<b>Net Position (deficit), July 1, as restated</b>	<b>(7,410,258)</b>	<b>(7,346,647)</b>	<b>(0.87) %</b>
<b>Net Position (deficit), June 30</b>	<b>\$ (7,054,772)</b>	<b>\$ (7,445,550)</b>	<b>5.25 %</b>

**Governmental activities**

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

**HOLLANDALE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2021</b>	<b>2020</b>	
Instruction	\$ 3,050,918	\$ 3,244,707	(5.97) %
Support services	4,892,026	3,306,701	47.94 %
Non-instructional	352,015	426,286	(17.42) %
Sixteenth section	2,138	-	N/A
Pension Expense	811,862	958,591	(15.31) %
OPEB Expense	7,539	46,822	(83.90) %
Interest on long-term liabilities	14,767	6,541	125.76 %
<b>Total expenses</b>	<b>\$ 9,131,265</b>	<b>\$ 7,989,648</b>	<b>14.29 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2021</b>	<b>2020</b>	
Instruction	\$ (2,040,660)	\$ (2,174,645)	6.16 %
Support services	(2,423,271)	(2,217,659)	(9.27) %
Non-instructional	(27,376)	3,646	(850.85) %
Sixteenth section	(2,138)	17	(12,676.47) %
Pension Expense	(811,862)	(958,591)	15.31 %
OPEB Expense	(7,539)	(46,822)	83.90 %
Interest on long-term liabilities	(14,767)	(6,541)	(125.76) %
<b>Total net (expense) revenue</b>	<b>\$ (5,327,613)</b>	<b>\$ (5,400,595)</b>	<b>1.35 %</b>

- Net cost of governmental activities (\$5,327,613 for 2021 and \$5,400,595 for 2020) was financed by general revenue, which is primarily made up of property and gaming taxes (\$1,686,273 for 2021 and \$1,445,800 for 2020) and state and federal revenues (\$3,460,486 for 2021 and \$3,493,385 for 2020). In addition, there was \$272,746 and \$236,657 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$43,116 for 2021 and \$37,220 for 2020.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,457,732, an increase of \$793,384, which includes a prior period adjustment of \$50,975 and a decrease in inventory of \$9,234. \$1,906,605, or 55% of the fund balance is unassigned, which represents the residual classification for the

**HOLLANDALE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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 \$1,551,127, or 45% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$730,089, which includes a prior period adjustment of \$22,516. The fund balance of Other Governmental Funds showed a decrease in the amount of \$20,954, which includes a prior period adjustment of \$28,459 and a decrease in inventory of \$9,234. 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 Fund	\$	(138)
QSCB Sinking Fund	\$	84,387

## **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 each major special revenue fund is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2021, the District's total capital assets were \$4,301,508, including land, school buildings, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a decrease of \$433,307 from 2020 due primarily to the disposal of buildings, mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2021, was \$2,705,763, and total depreciation expense for the year was \$101,424, resulting in total net capital assets of \$1,595,745.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 109,178	\$ 109,178	0.00 %
Buildings	1,189,539	1,405,626	(15.37) %
Mobile equipment	146,627	164,052	(10.62) %
Furniture and equipment	12,641	15,374	(17.78) %
Leased property under capital leases	137,760	152,880	(9.89) %
<b>Total</b>	<b>\$ 1,595,745</b>	<b>\$ 1,847,110</b>	<b>(13.61) %</b>

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

**HOLLANDALE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Debt Administration.** At June 30, 2021, the District had \$1,636,983 in outstanding long-term debt, of which \$23,273 is due within one year. During the fiscal year, the District made principal payments totaling \$20,471 on outstanding long-term debt. The liability for compensated absences decreased \$6,676 from the prior year.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Obligations under capital leases	\$ 147,549	\$ 168,020	(12.18) %
Qualified school construction bonds payable	1,450,000	1,450,000	0.00 %
Compensated absences payable	39,434	46,110	(14.48) %
<b>Total</b>	<b><u>\$ 1,636,983</u></b>	<b><u>\$ 1,664,130</u></b>	<b>(1.63) %</b>

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

## **CURRENT ISSUES**

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

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

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

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

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

## FINANCIAL STATEMENTS

**HOLLANDALE SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2021**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,449,997
Investments	7,944
Due from other governments	690,943
Accrued interest receivable	5,582
Other receivables, net	11,051
Inventories	9,489
Restricted assets	895,995
Capital assets, non-depreciable:	
Land	109,178
Capital assets, net of accumulated depreciation:	
Buildings	1,189,539
Mobile equipment	146,627
Furniture and equipment	12,641
Leased property under capital leases	137,760
Total Assets	<u>5,666,746</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	1,729,043
Deferred outflows - OPEB	157,632
Total Deferred Outflows of Resources	<u>1,886,675</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	607,893
Unearned revenue	5,376
Interest payable on long-term liabilities	1,065
Long-term liabilities, due within one year:	
Capital related liabilities	21,301
Non-capital related liabilities	1,972
Net OPEB liability	24,882
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,576,248
Non-capital related liabilities	37,462
Net pension liability	10,582,509
Net OPEB liability	602,880
Total Liabilities	<u>13,461,588</u>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	948,587
Deferred inflows - OPEB	198,018
Total Deferred Inflows of Resources	<u>1,146,605</u>
 <b>Net Position</b>	
Net investment in capital assets	(1,804)
Restricted for:	
Expendable:	
School-based activities	401,049
Debt service	941,865
Capital improvements	15,889
Forestry improvements	2,727
Unemployment benefits	34,471
Non-expendable:	
Sixteenth section	25,845
Unrestricted	(8,474,814)
Total Net Position (deficit)	<u><u>\$ (7,054,772)</u></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, 2021**

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	\$ 3,050,918	\$ 26,307	\$ 983,951	\$ -	\$ (2,040,660)
Support services	4,892,026	1,006,327	1,462,428	-	(2,423,271)
Non-instructional	352,015	33	324,606	-	(27,376)
Sixteenth section	2,138	-	-	-	(2,138)
Pension expense	811,862	-	-	-	(811,862)
OPEB expense	7,539	-	-	-	(7,539)
Interest on long-term liabilities	14,767	-	-	-	(14,767)
Total Governmental Activities	<u>\$ 9,131,265</u>	<u>\$ 1,032,667</u>	<u>\$ 2,770,985</u>	<u>\$ -</u>	<u>\$ (5,327,613)</u>

General Revenues:

Taxes:

General purpose levies	1,560,155
Debt purpose levies	66,697
Gaming	59,421

Unrestricted grants and contributions:

State	3,426,933
Federal	33,553
Unrestricted investment earnings	43,116
Sixteenth section sources	272,746
Other	220,478
Total General Revenues	<u>5,683,099</u>

Change in Net Position	<u>355,486</u>
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Net Position (deficit) - Beginning, as previously reported	(7,445,550)
Prior Period Adjustments	<u>35,292</u>

Net Position (deficit) - Beginning, as restated	<u>(7,410,258)</u>
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Net Position (deficit) - Ending	<u><u>\$ (7,054,772)</u></u>
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The notes to the financial statements are an integral part of this statement.

**HOLLANDALE SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2021**

**Exhibit C**

	Major Funds				
	General Fund	Title I Fund	QSCB Sinking Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,875,440	\$ -	\$ -	\$ 600,402	\$ 2,475,842
Cash with fiscal agents	-	-	10,656	-	10,656
Investments	7,944	-	859,494	-	867,438
Due from other governments	60,711	184,914	-	445,318	690,943
Accrued interest receivable	-	-	5,582	-	5,582
Other receivables, net	11,051	-	-	-	11,051
Due from other funds	434,798	74	-	46,829	481,701
Inventories	-	-	-	9,489	9,489
Total assets	\$ 2,389,944	\$ 184,988	\$ 875,732	\$ 1,102,038	\$ 4,552,702
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 396,844	\$ 106,541	\$ -	\$ 104,508	\$ 607,893
Due to other funds	46,903	78,447	-	356,351	481,701
Unavailable revenue - federal programs	-	-	-	5,376	5,376
Total Liabilities	443,747	184,988	-	466,235	1,094,970
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	9,489	9,489
Permanent fund principal	-	-	-	25,845	25,845
<b>Restricted:</b>					
Debt service	-	-	875,732	67,198	942,930
Capital projects	-	-	-	15,889	15,889
Forestry improvement purposes	-	-	-	2,727	2,727
Grant activities	-	-	-	391,560	391,560
Unemployment benefits	-	-	-	34,471	34,471
<b>Assigned:</b>					
Capital improvements	-	-	-	88,624	88,624
Activity funds	39,592	-	-	-	39,592
<b>Unassigned</b>	1,906,605	-	-	-	1,906,605
Total Fund Balances	1,946,197	-	875,732	635,803	3,457,732
Total Liabilities and Fund Balances	\$ 2,389,944	\$ 184,988	\$ 875,732	\$ 1,102,038	\$ 4,552,702

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**

**Exhibit C-1**

**June 30, 2021**

**Total fund balances for governmental funds** **\$ 3,457,732**

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		2,593,411	
Mobile equipment		840,281	
Furniture and equipment		590,638	
Leased property under capital leases		168,000	
Accumulated depreciation		<u>(2,705,763)</u>	1,595,745

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		(10,582,509)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions		1,729,043	
Deferred inflows of resources related to pensions		<u>(948,587)</u>	(9,802,053)

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

Net OPEB liability		(627,762)	
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB		157,632	
Deferred inflows of resources related to OPEB		<u>(198,018)</u>	(668,148)

4. 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)	
Capital lease obligations		(147,549)	
Compensated absences		(39,434)	
Accrued interest payable		<u>(1,065)</u>	(1,638,048)

<b>Net Position of governmental activities</b>		<u><u>\$ (7,054,772)</u></u>	
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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, 2021**

**Exhibit D**

	Major Funds			Other	Total
	General	Title I Fund	QSCB Sinking Fund	Governmental Funds	Governmental Funds
	Fund		Fund		
<b>Revenues:</b>					
Local sources	\$ 1,826,898	\$ 5	\$ 17,522	\$ 131,295	\$ 1,975,720
State sources	3,363,496	-	-	249,315	3,612,811
Federal sources	33,553	573,931	-	2,011,176	2,618,660
Sixteenth section sources	272,912	-	-	321	273,233
Total Revenues	5,496,859	573,936	17,522	2,392,107	8,480,424
<b>Expenditures:</b>					
Instruction	2,355,042	400,182	-	675,479	3,430,703
Support services	3,370,252	169,554	-	1,298,536	4,838,342
Noninstructional services	8,583	4,338	-	378,719	391,640
Sixteenth section	-	-	-	2,138	2,138
Debt service:					
Principal	20,471	-	-	-	20,471
Interest	9,282	-	-	3,625	12,907
Other	-	-	-	1,965	1,965
Total Expenditures	5,763,630	574,074	-	2,360,462	8,698,166
Excess (Deficiency) of Revenues over (under) Expenditures	(266,771)	(138)	17,522	31,645	(217,742)
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	1,006,327	-	-	-	1,006,327
Payments held by QSCB escrow agent	-	-	66,865	-	66,865
Payment to QSCB debt escrow agent	-	-	-	(66,865)	(66,865)
Operating transfers in	26,466	-	-	61,393	87,859
Operating transfers out	(21,507)	-	-	(66,352)	(87,859)
Other financing uses	(36,942)	-	-	-	(36,942)
Total Other Financing Sources (Uses)	974,344	-	66,865	(71,824)	969,385
Net Change in Fund Balances	707,573	(138)	84,387	(40,179)	751,643
<b>Fund Balances:</b>					
July 1, 2020, as previously reported	1,216,108	138	791,345	656,757	2,664,348
Prior period adjustments	22,516	-	-	28,459	50,975
July 1, 2020, as restated	1,238,624	138	791,345	685,216	2,715,323
Increase (Decrease) in inventory	-	-	-	(9,234)	(9,234)
June 30, 2021	\$ 1,946,197	\$ -	\$ 875,732	\$ 635,803	\$ 3,457,732

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, 2021**

**Exhibit D-1**

Net change in fund balances - total governmental funds	\$	751,643
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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	\$ 29,037	
Depreciation expense	<u>(101,424)</u>	(72,387)

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. (163,295)

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	20,471	
Accrued interest payable	<u>105</u>	20,576

4. Some items relating to pensions and 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 the governmental funds. The activities include:

Pension expense	(811,862)	
Contributions subsequent to the measurement date	<u>621,262</u>	(190,600)

5. Some items relating to OPEB and 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 the governmental funds. The activities include:

OPEB expense	(7,539)	
Contributions subsequent to the measurement date	<u>19,646</u>	12,107

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

Change in compensated absences	6,676	
Change in inventory	<u>(9,234)</u>	(2,558)

Change in Net Position of governmental activities	\$	<u><u>355,486</u></u>
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The notes to the financial statements are an integral part of this statement.

**Hollandale School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2021

## **HOLLANDALE SCHOOL DISTRICT**

### **Notes to the Financial Statements For Year Ended June 30, 2021**

#### **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.
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

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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

#### **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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are reported as classification of fund balances since they do not constitute expenditures or liabilities.

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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

##### **1. Cash, Cash equivalents and Investments**

###### **Cash and cash equivalents**

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

###### **Investments**

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

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

Investments for the district are reported at fair market value.

##### **2. Receivables and payables**

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

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

##### **3. Due from Other Governments**

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

##### **4. Inventories and Prepaid Items**

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of 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



## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

#### 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 deferred outflows which are presented as a deferred outflow related to pensions and a deferred outflow related to OPEB.

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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 deferred inflows which are presented as a deferred inflow related to pensions and a deferred inflow related to OPEB.

See Note 7, Note 8, and Note 18 for further details.

#### 8. Compensated Absences

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

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

#### 9. Long-term Liabilities and Bond Discounts/Premiums

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

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

#### 10. Pensions

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

#### 11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### 12. 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.

*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. 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 For Year Ended June 30, 2021

#### 13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

#### **Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### **Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$2,483,786 (which includes \$7,944 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments).

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

**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, 2021, none of the district's bank balance of \$2,483,823 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 \$10,656.

#### Investments

As of June 30, 2021, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificate of deposit	N/A	5 to 10 years	\$ 7,944
U.S. Treasury SLGS Deposit	N/A	5 to 10 years	859,494
Total			<u>\$ 867,438</u>

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

The district has the following recurring fair value measurements as of June 30, 2021:

- Certificate of deposit of \$7,944 and U.S. Treasury SLGS Deposit of \$859,494 are valued using quoted market prices (Level 1 inputs)

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

**Credit Risk.** State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Custodial Credit Risk - Investments.** Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2021, the district did not have any investments to which this would apply.

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

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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 Fund	\$ 78,447
	Other Governmental Funds	356,351
Title I Fund	General Fund	74
Other Governmental Funds	General Fund	46,829
Total		<u>\$ 481,701</u>

The primary purpose of the interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year-end closing adjustments.

##### **B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 21,507
Other Governmental Funds	General Fund	26,466
	Other Governmental Funds	39,886
Total		<u>\$ 87,859</u>

Operating transfers were primarily for the following: debt service transfers, food service transfers, and other routine operating transfers.

#### **Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$25,845 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 \$10,656 and \$859,494, respectively, of the QSCB Sinking Fund.

# HOLLANDALE SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

### Note 5 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Adjustments	Balance 6/30/2021
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 109,178	\$	\$	\$	109,178
Total non-depreciable capital assets	109,178	-	-	-	109,178
<u>Depreciable capital assets:</u>					
Buildings	2,966,122		326,907	(45,804)	2,593,411
Mobile equipment	851,939	29,037	40,695		840,281
Furniture and equipment	639,576		37,958	(10,980)	590,638
Leased property under capital leases	168,000				168,000
Total depreciable capital assets	4,625,637	29,037	405,560	(56,784)	4,192,330
<u>Less accumulated depreciation for:</u>					
Buildings	1,560,496	41,667	168,060	(30,231)	1,403,872
Mobile equipment	687,887	42,393	36,626		693,654
Furniture and equipment	624,202	2,244	37,579	(10,870)	577,997
Leased property under capital leases	15,120	15,120			30,240
Total accumulated depreciation	2,887,705	101,424	242,265	(41,101)	2,705,763
Total depreciable capital assets, net	1,737,932	(72,387)	163,295	(15,683)	1,486,567
Governmental activities capital assets, net	\$ 1,847,110	\$ (72,387)	\$ 163,295	\$ (15,683)	\$ 1,595,745

Adjustments were needed to correct the prior year cost and accumulated depreciation of buildings and furniture and equipment.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 36,581
Support services	52,286
Non-instructional	12,557
Total depreciation expense	<u>\$ 101,424</u>

### Note 6 – Long-term Liabilities

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

# HOLLANDALE SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

	Balance 7/1/2020	Reductions	Balance 6/30/2021	Amounts due within one year
A. Obligations under capital leases	\$ 168,020	\$ 20,471	\$ 147,549	\$ 21,301
B. Qualified school construction bonds payable	1,450,000		1,450,000	-
C. Compensated absences payable	46,110	6,676	39,434	1,972
Total	\$ 1,664,130	\$ 27,147	\$ 1,636,983	\$ 23,273

### A. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of buses at a cost of \$168,020, which includes a \$20 processing fee. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital lease	5.65%	5/28/2020	5/15/2027	\$ 168,020	\$ 147,549
Total				\$ 168,020	\$ 147,549

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
2022	\$ 21,301	\$ 8,452	\$ 29,753
2023	22,521	7,232	29,753
2024	23,795	5,958	29,753
2025	25,174	4,579	29,753
2026	26,617	3,136	29,753
2027	28,141	1,612	29,753
Total	\$ 147,549	\$ 30,969	\$ 178,518

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

### B. Qualified school construction bonds payable

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

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				\$ 1,450,000	\$ 1,450,000



## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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

Year Ending June 30	Principal	Interest	Total
2022	\$ -	\$ 3,625	\$ 3,625
2023	-	3,625	3,625
2024	-	3,625	3,625
2025	-	3,625	3,625
2026	-	3,625	3,625
2027 – 2028	1,450,000	7,250	1,457,250
Total	\$ 1,450,000	\$ 25,375	\$ 1,475,375

This debt will be retired from the QSCB Sinking Fund (Debt Service Fund).

#### **C. Compensated absences payable**

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

### **Note 7 – Defined Benefit Pension Plan**

#### **General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at [www.pers.ms.gov](http://www.pers.ms.gov).

*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

# HOLLANDALE SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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.

**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, 2021 was 17.40% 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, 2021, 2020 and 2019 were \$621,262, \$633,364 and \$629,241, 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, 2021, the school district reported a liability of \$10,582,509 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2021 net pension liability was 0.054665 percent, which was based on a measurement date of June 30, 2020. This was a decrease of 0.006679 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$811,862. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 91,864	\$
Net difference between projected and actual earnings on pension plan investments	442,836	
Changes of assumptions	66,432	
Changes in proportion and differences between District contributions and proportionate share of contributions	506,649	948,587
District contributions subsequent to the measurement date	621,262	
<b>Total</b>	<b>\$ 1,729,043</b>	<b>\$ 948,587</b>

\$621,262 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# HOLLANDALE SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

Year Ending June 30:

2022	\$ (85,508)
2023	106,347
2024	(1,717)
2025	<u>140,072</u>
Total	\$ <u>159,194</u>

*Actuarial assumptions.* The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates are projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.00	
Total	<u>100</u>	<u>%</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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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.

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.*

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 13,697,757	\$ 10,582,509	\$ 8,011,177

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

## Note 8 – Other Postemployment Benefits (OPEB)

### General Information about the OPEB Plan.

*Plan description.* State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

### *Benefits provided.*

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

#### *Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$19,646 for the year ended June 30, 2021.

#### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

At June 30, 2021, the District reported a liability of \$627,762 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the District's proportion was 0.08066761 percent. This was a decrease of 0.00743249 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$7,539. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 800	\$ 109,247
Changes of assumptions	97,466	26,528
Net difference between projected and actual earnings on OPEB plan investments	20	
Changes in proportion and differences between District contributions and proportionate share of contributions	39,700	62,243
District contributions subsequent to the measurement date	19,646	
Total	\$ <u>157,632</u>	\$ <u>198,018</u>

\$19,646 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

Year Ending June 30:	
2022	\$ (15,201)
2023	(15,201)
2024	(12,557)
2025	(4,251)
2026	<u>(12,822)</u>
Total	\$ <u>(60,032)</u>

*Actuarial assumptions.* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an
Pre-Medicare	ultimate rate of 4.50% by 2030

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 693,720	\$ 627,762	\$ 571,188

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 579,642	\$ 627,762	\$ 682,279

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

### Note 9 – 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.

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

Year Ending June 30	Amount
2022	\$ 253,472
2023	237,153
2024	237,153
2025	237,153
Total	<u>\$ 964,931</u>

#### Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

##### Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior year receivable and recording of prior year revenues and expenditures at the governmental fund level	\$ 50,975
2. To correct prior year cost and accumulated depreciation for buildings and furniture and equipment asset groups	(15,683)
Total	<u>\$ 35,292</u>

##### Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	To correct prior year receivable and recording of prior year revenue	\$ 22,516
Other governmental funds	To correct recording of prior year expenditures	28,459
Total		<u>\$ 50,975</u>

#### Note 11 – Contingencies

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

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



## **HOLLANDALE SCHOOL DISTRICT**

### **Notes to the Financial Statements For Year Ended June 30, 2021**

#### **Note 12 – Risk Management**

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

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 56 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 56 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

#### **Note 13 – Qualified School Construction Bonds**

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

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

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2021 was \$875,732, which included accrued income of \$5,582. 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
2022	\$ 85,294
2023	85,294
2024	85,294
2025	85,294
2026	85,294
2027 – 2028	170,590
Total	<u>\$ 597,060</u>

#### **Note 14 – Vocational School Consortium**

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

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

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

#### **Note 15 – Other Matters**

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the District is uncertain at this time.

#### **Note 16 – Subsequent Events**

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

## **HOLLANDALE SCHOOL DISTRICT**

### **Notes to the Financial Statements For Year Ended June 30, 2021**

#### **Note 17 - Insurance loss recoveries**

The Hollandale School District received \$1,006,327 in insurance loss recoveries during the 2020-2021 fiscal year related primarily to storm damage to various school facilities. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

#### **Note 18 – Effect of Deferred Amounts on Net Position**

The unrestricted net position (deficit) amount of (\$8,474,814) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$621,262 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$1,107,781 balance of deferred outflow of resources related to pensions at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position (deficit) amount of (\$8,474,814) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$948,587 balance of deferred inflow of resources related to pensions at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position (deficit) amount of (\$8,474,814) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$19,646 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$137,986 balance of deferred outflow of resources related to OPEB at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position (deficit) amount of (\$8,474,814) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$198,018 balance of deferred inflow of resources related to OPEB at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

#### **Note 19 – Interlocal Transportation Agreement**

The school district entered into an Interlocal Transportation Agreement dated January 1, 1992 creating the Washington County School Bus Facility. This agreement was created pursuant to the provisions of Sections 37-7-403 and 37-41-35, Miss. Code of 1972, and approved by the State Board of Education and includes the Western Line School District and Hollandale School District.

Section 37-7-403, Miss. Code Ann. (1972), allows two or more adjoining school districts to join, unite and cooperate in the construction, erecting and equipping of a school building or other school facility situated within the boundaries of either or any of the cooperating districts which is to be used jointly by the school districts uniting and joining in the construction, erecting and equipping thereof.

## HOLLANDALE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

Section 37-41-35, Miss. Code Ann. (1972), states the school board may establish, maintain and operate a school bus garage or shop for the servicing, repair and maintenance of such county-owned or district-owned buses. Two (2) or more counties or school districts are authorized, in the discretion of the respective school boards thereof, jointly to establish, maintain and operate a school bus garage or shop for the servicing, repair and maintenance of such county-owned or school district-owned buses. All of such garages or shops shall be established, maintained and operated under such rules and regulations as may be promulgated by the State Board of Education.

Full responsibility for transportation of students establishment, maintenance and operating of a school bus garage or repair facility for the servicing, repair, and maintenance of district-owned school buses and other vehicles was transferred from the Washington County Board of Education to the districts. The present facility and school buses were purchased by the Board of Education with transportation funds allocated to the districts. The facility was appraised as having a fair market value of \$84,000, and Western Line has agreed to purchase the entire interest of Hollandale and Leland for the sum of \$28,000 each. The Board of Education executed and delivered a recordable warranty deed conveying the facility to Western Line upon being furnished satisfactory evidence it has acquired the interests of the other districts. The basic purpose of this agreement is to achieve economy in the garaging, repair and maintenance of district-owned buses, maintaining adequate inventories of oil, lubricants and spare parts and operation of the facility. All expenses not directly allocable to individual district-owned buses or other vehicles (oil, lubricants, repairs, replacement of tires, parts, labor, etc.) shall initially be borne by the districts in the following proportions:

District	Buses	%
Western Line	35	76
Hollandale	11	24

The above percentages can be adjusted on the basis of actual costs or minimum program receipts for transportation for the preceding school year on July 1, 1992, and thereafter at 12-month intervals to insure an equitable allocation as between districts. Western Line shall have sole responsibility for, and the authority to operate, manage, govern and control all operations of the facility, including specifics detailed in the agreement.

Each district shall receive and have control over state funds distributed for transportation purposes, and shall be responsible for the purchase of new buses if, as and when needed. The facility's responsibilities shall be limited to housing, maintenance, and repair of buses, including spares. The Western Line School District has been designated as the lead school district for the Washington County School Bus Facility and the operations of the agreement are included in the financial statements.

#### **Note 20 – State Compliance**

The Mississippi Office of the State Auditor (SOA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

## REQUIRED SUPPLEMENTARY INFORMATION

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

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,658,008	\$ 1,840,562	\$ 1,826,898	\$ 182,554	\$ (13,664)
State sources	3,622,659	3,363,496	3,363,496	(259,163)	-
Federal sources	30,000	33,553	33,553	3,553	-
Sixteenth section sources	237,000	272,912	272,912	35,912	-
Total Revenues	5,547,667	5,510,523	5,496,859	(37,144)	(13,664)
<b>Expenditures:</b>					
Instruction	2,721,259	2,355,042	2,355,042	366,217	-
Support services	2,232,214	3,370,252	3,370,252	(1,138,038)	-
Noninstructional services	-	8,583	8,583	(8,583)	-
Sixteenth section	7,300	-	-	7,300	-
Debt service:					
Principal	-	20,471	20,471	(20,471)	-
Interest	-	9,282	9,282	(9,282)	-
Other	30,000	-	-	30,000	-
Total Expenditures	4,990,773	5,763,630	5,763,630	(772,857)	-
Excess (Deficiency) of Revenues over (under) Expenditures	556,894	(253,107)	(266,771)	(810,001)	(13,664)
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	1,006,327	1,006,327	1,006,327	-
Operating transfers in	277,000	63,186	26,466	(213,814)	(36,720)
Operating transfers out	(270,000)	(58,227)	(21,507)	211,773	36,720
Other financing uses	-	(36,942)	(36,942)	(36,942)	-
Total Other Financing Sources (Uses)	7,000	974,344	974,344	967,344	-
Net Change in Fund Balances	563,894	721,237	707,573	157,343	(13,664)
<b>Fund Balances:</b>					
July 1, 2020, as previously reported	1,943,779	1,197,267	1,216,108	(746,512)	18,841
Prior period adjustments	-	23,817	22,516	23,817	(1,301)
July 1, 2020, as restated	1,943,779	1,221,084	1,238,624	(722,695)	17,540
June 30, 2021	\$ 2,507,673	\$ 1,942,321	\$ 1,946,197	\$ (565,352)	\$ 3,876

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

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

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ 5	\$ -	5
Federal sources	606,910	854,309	573,931	247,399	(280,378)
Total Revenues	606,910	854,309	573,936	247,399	(280,373)
<b>Expenditures:</b>					
Instruction	470,223	444,101	400,182	26,122	43,919
Support services	261,983	309,744	169,554	(47,761)	140,190
Noninstructional services	19,319	24,822	4,338	(5,503)	20,484
Total Expenditures	751,525	778,667	574,074	(27,142)	204,593
Net Change in Fund Balances	(144,615)	75,642	(138)	220,257	(75,780)
Fund Balances:					
July 1, 2020	-	-	138	-	138
June 30, 2021	\$ (144,615)	\$ 75,642	\$ -	\$ 220,257	\$ (75,642)

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

**Hollandale School District**  
Schedule of the District's Proportionate Share of the Net Pension Liability  
PERS  
Last 10 Fiscal Years\*

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.054665%	0.061344%	0.054791%	0.057081%	0.061307%	0.064720%	0.070536%
District's proportionate share of the net pension liability	\$ 10,582,509	10,791,620	9,113,371	9,488,800	10,950,961	10,004,436	8,561,779
District's covered payroll	3,640,023	3,995,181	3,498,952	3,661,797	3,921,981	4,043,333	4,310,102
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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



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

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 621,262	633,364	629,241	551,085	576,733	617,712	636,825
Contributions in relation to the contractually required contribution	621,262	633,364	629,241	551,085	576,733	617,712	636,825
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
District's covered payroll	3,570,471	3,640,023	3,995,181	3,498,952	3,661,797	3,921,981	4,043,333
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**Hollandale School District**

## Schedule of the District's Proportionate Share of the Net OPEB Liability

## OPEB

## Last 10 Fiscal Years\*

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.08066761%	0.08810010%	0.08111817%	0.08150163%
District's proportionate share of the net OPEB liability	\$ 627,762	747,565	627,490	639,469
District's covered - employee payroll	3,887,659	4,034,479	3,668,920	3,661,644
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0.00%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/302018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

	2021	2020	2019	2018
Actuarially determined contribution	\$ 19,646	25,035	29,965	27,262
Contributions in relation to the actuarially determined contribution	19,646	25,035	29,965	27,262
Contribution deficiency (excess)	\$ -	-	-	-
District's covered - employee payroll	3,570,471	3,640,023	3,995,181	3,498,952
Contributions as a percentage of covered - employee payroll	0.55%	0.69%	0.75%	0.78%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.

## Hollandale School District

### Notes to the Required Supplementary Information For the Year Ended June 30, 2021

#### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) *Changes of 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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

## Hollandale School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2021

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

#### 2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

#### (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.

#### (3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent

## Hollandale School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2021

Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

#### OPEB Schedules

##### (1) Changes of assumptions

###### 2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

###### 2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

###### 2019:

The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

###### 2020:

The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

##### (2) Changes in benefit provisions

###### 2017:

None

###### 2018:

None

###### 2019:

None

###### 2020:

The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

##### (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.*

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

## Hollandale School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2021

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.00%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50%

## SUPPLEMENTARY INFORMATION



**HOLLANDALE SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Numbers	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	215MS326N1099	10.555	\$ 22,262
Summer Food Service Program for Children	215MS326N1099	10.559	363,719
Total child nutrition cluster			385,981
Total passed-through the Mississippi Department of Education			385,981
<b>Total U.S. Department of Agriculture</b>			<b>385,981</b>
<b><u>U.S. DEPARTMENT OF TREASURY</u></b>			
Passed-through the Mississippi Department of Education			
COVID-19 - Coronavirus Relief Fund	N/A	21.019	230,414
Total passed-through the Mississippi Department of Education			230,414
<b>Total U. S. Department of Treasury</b>			<b>230,414</b>
<b><u>U. S. Department of Education</u></b>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	S010A200024	84.010	553,841
Twenty-First Century Community Learning Centers	S010A190024	84.287	92,657
Supporting Effective Instruction State Grants	S367A200023	84.367	71,781
Student Support and Academic Enrichment Program	S424A200025	84.424	33,270
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I & II)	S425D210031	84.425D	451,546
Subtotal			1,203,095
Special Education Cluster:			
Special Education - Grants to States	H027A200108	84.027	246,573
Special Education - Preschool Grants	H173A200113	84.173	10,411
Total Special Education Cluster			256,984
Total passed-through the Mississippi Department of Education			1,460,079
Passed-through Delta Health Alliance:			
Promise Neighborhoods Program	U215N160028	84.215N	512,861
Total passed-through Delta Health Alliance			512,861
<b>Total U.S. Department of Education</b>			<b>1,972,940</b>
Total for All Federal Awards			\$ 2,589,335

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Hollandale School District

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2021

#### Schedule of Expenditures of Federal Awards

##### (1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. 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 position, or cash flows of the School District.

##### (2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

##### (3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

##### (4) Other Items

Donated commodities of \$22,262 are included in the National School Lunch Program.

**HOLLANDALE SCHOOL DISTRICT**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2021

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits \$	5,214,879	3,626,472	684,368	349,029	555,010
Other	3,483,287	1,109,652	297,421	5,108	2,071,106
Total \$	<u>8,698,166</u>	<u>4,736,124</u>	<u>981,789</u>	<u>354,137</u>	<u>2,626,116</u>
Total number of students *	<u>526</u>				
Cost per student \$	<u>16,536</u>	<u>9,004</u>	<u>1,866</u>	<u>673</u>	<u>4,993</u>

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

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

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

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

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

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

## OTHER INFORMATION

**HOLLANDALE SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

## General Fund

## Last Four Years

	2021	2020*	2019*	2018*
<b>Revenues:</b>				
Local sources	\$ 1,826,898	1,528,289	1,620,339	2,106,796
State sources	3,363,496	3,449,862	3,395,859	3,300,635
Federal sources	33,553	34,346	4,488	50,138
Sixteenth section sources	272,912	236,562	243,842	256,592
Total Revenues	5,496,859	5,249,059	5,264,528	5,714,161
<b>Expenditures:</b>				
Instruction	2,355,042	2,632,100	2,859,667	2,406,684
Support services	3,370,252	2,562,299	2,466,707	2,761,258
Noninstructional services	8,583	7,019	-	-
Sixteenth section	-	-	5,312	5,803
Debt service:				
Principal	20,471	-	58,894	67,321
Interest	9,282	-	1,888	4,292
Other	-	-	-	608
Total Expenditures	5,763,630	5,201,418	5,392,468	5,245,966
Excess (Deficiency) of Revenues over (under) Expenditures	(266,771)	47,641	(127,940)	468,195
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	-	168,020	-	-
Insurance recovery	1,006,327	-	-	-
Operating transfers in	26,466	-	32,459	32,309
Operating transfers out	(21,507)	(14,426)	(158,327)	(71,105)
Other financing uses	(36,942)	-	-	-
Total Other Financing Sources (Uses)	974,344	153,594	(125,868)	(38,796)
Net Change in Fund Balances	707,573	201,235	(253,808)	429,399
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,216,108	1,004,238	1,250,058	820,659
Prior period adjustment	22,516	10,635	7,988	-
Beginning of period, as restated	1,238,624	1,014,873	1,258,046	820,659
End of period	\$ 1,946,197	1,216,108	1,004,238	1,250,058

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**HOLLANDALE SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

## All Governmental Funds

## Last Four Years

"UNAUDITED"

	2021	2020*	2019*	2018*
<b>Revenues:</b>				
Local sources	\$ 1,975,720	1,627,551	1,722,414	2,200,088
State sources	3,612,811	3,729,454	3,722,392	3,585,919
Federal sources	2,618,660	2,296,719	2,285,454	1,957,286
Sixteenth section sources	273,233	237,021	244,354	256,901
Total Revenues	8,480,424	7,890,745	7,974,614	8,000,194
<b>Expenditures:</b>				
Instruction	3,430,703	3,662,718	4,497,131	3,496,612
Support services	4,838,342	3,574,366	3,089,004	3,389,632
Noninstructional services	391,640	462,279	487,215	404,050
Sixteenth section	2,138	-	5,494	5,803
Debt service:				
Principal	20,471	-	58,894	94,396
Interest	12,907	3,625	5,513	9,162
Other	1,965	1,746	1,509	1,902
Total Expenditures	8,698,166	7,704,734	8,144,760	7,401,557
Excess (Deficiency) of Revenues over (under) Expenditures	(217,742)	186,011	(170,146)	598,637
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	-	168,020	-	-
Insurance recovery	1,006,327	-	-	-
Payment held by QSCB escrow agent	66,865	70,255	78,767	73,340
Payment to QSCB escrow agent	(66,865)	(70,255)	(78,767)	(73,340)
Operating transfers in	87,859	26,926	208,786	120,648
Operating transfers out	(87,859)	(26,926)	(208,786)	(120,648)
Other financing uses	(36,942)	-	-	-
Total Other Financing Sources (Uses)	969,385	168,020	-	-
Net Change in Fund Balances	751,643	354,031	(170,146)	598,637
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,664,348	2,293,580	2,447,904	1,856,044
Prior period adjustment	50,975	4,874	10,170	-
Beginning of period, as restated	2,715,323	2,298,454	2,458,074	1,856,044
Increase (decrease) in inventory	(9,234)	11,863	5,652	(6,777)
End of period	\$ 3,457,732	2,664,348	2,293,580	2,447,904

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Hollandale School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hollandale School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Hollandale School District's basic financial statements, and have issued our report thereon dated August 15, 2023.

**Internal Control Over Financial Reporting**

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

*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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-001 to be a material weakness.



## **Compliance and Other Matters**

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

### **Hollandale School District's Response to Finding**

The Hollandale School District's response to the finding identified in our audit are described in the accompanying auditee's corrective action plan. The Hollandale School 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.

### **Purpose of this Report**

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 15, 2023

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Hollandale School District

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

We have audited Hollandale School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hollandale School District's major federal programs for the year ended June 30, 2021. The Hollandale School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Hollandale School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Hollandale School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of the Hollandale School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hollandale School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the school district's internal control over compliance.

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
August 15, 2023

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Hollandale School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollandale School District as of and for the year ended June 30, 2021, which collectively comprise Hollandale School District's basic financial statements and have issued our report thereon dated August 15, 2023. 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1048 GLUCKSTADT ROAD, SUITE B  
MADISON, MISSISSIPPI 39110  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Finding 1**

### Criteria:

Section 31-7-305, Miss. Code Ann. (1972), states: "payments should be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection and approval of the goods and services."

### Condition:

Multiple instances of invoices examined were paid over 45 days after receipt of goods or services.

### Cause:

Procedures need to be implemented and followed to ensure compliance with State laws.

### Effect:

The District was not in compliance with the Section 31-7-305, Miss. Code Ann. (1972).

### Recommendation:

We recommend that the school district comply with Section 31-7-305, Miss. Code Ann. (1972), and ensure that payments are made timely.

### Response:

The Hollandale School District will comply with Section 31-7-305, Miss. Code Ann. by following policies and procedures to ensure that all payments are made within 45 days of receiving the invoice and receiving report. To address the above-mentioned finding, the following actions have been taken: Invoices will be claimed out daily upon receiving a report being filled out. Checks will also be run at least every 30 days. With these practices in place, all invoices will be paid adequately. As of July 2023, this corrective action began to take place.

## **Finding 2**

### Criteria:

In accordance with Section 31-7-13(b), MS Code Ann. (1972), requires the District to obtain at least two competitive written bids for purchases over \$5,000 but not over \$50,000 exclusive of freight and shipping charges. The district is required to accept the lowest and best competitive written bid.

### Condition:

During our testwork we noted the district made purchases in excess of \$5,000 without obtaining two competitive bids as required by state law.

### Cause:

Procedures were not properly implemented and followed to ensure compliance with State laws.

### Effect:

The district was not in compliance with Section 31-7-13(b), of the Miss Code Ann. (1972).

Recommendation:

The School Board, Superintendent, and management should ensure compliance with Section 31-7-13(b), MS Code Ann. (1972), by properly obtaining at least two written competitive bids for purchases over \$5,000 but not over \$50,000, as required by law.

Response:

The Hollandale School District will comply with all state and federal laws regarding purchasing and procurement. We follow policies and procedures to ensure quality products and services and purchasing to provide the best value for the District. In addition, we will acquire the necessary quotes for purchases as outlined in the state statutes. To address the above-mentioned finding, the following actions have been taken: All purchases that exceed \$5,000 but not over the state's limit are required to have a second quote attached to its requisition. The accounts payable clerk will not enter requisition into the financial system without a second quote being attached. As of July 2022, this corrective action began to take place.

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

The Hollandale School District's responses to the findings included in this report were not audited and accordingly, we express no opinion on them.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 15, 2023

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



## Hollandale School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

#### Section I: Summary of Auditor's Results

##### Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? Yes.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

##### Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
21.019	COVID-19 - Coronavirus Relief Fund
84.215N	Promise Neighborhoods Program
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief Grant (ESSER I & II)

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). Yes.

## Section II: Financial Statements Findings

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

### **Material Weakness**

#### **Finding 2021-001**

##### Criteria:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguards district's funds.

##### Condition:

During our testing of general disbursements, we noted 2 out of 55 instances where a purchase order was dated after an invoice date. We noted 22 out of 55 instances where expenditures were not approved by the programs director. Two expenditures were paid 45 days after receiving the invoice. Also 20 expenditures lacked supportive documentation for transactions.

##### Cause:

This is the result from a weakness in internal control that ensures purchasing guidelines are met.

##### Effect:

Lack of adequate internal controls over general disbursements could result in expenditures being made that were not properly authorized and misappropriation of public funds.

##### Recommendation:

We recommend the district implement controls and procedures to ensure all purchase orders are signed or approval, purchase orders are approved before receiving invoices, expenditures are paid in a reasonable time, and purchase orders are approved before receiving an invoice.

##### Views of Management:

The business manager, Timothy Ford, is responsible for the corrective action plan for Hollandale School District. Timothy Ford can be reached at (662) 378-7552. Corrective actions have been planned and implemented to adhere to all audit findings. All of these corrective actions will be followed continuously to ensure compliance to all laws and regulations regarding procurement and business operations.

## Section III: Federal Awards Findings and Questioned Costs

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

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



# HOLLANDALE SCHOOL DISTRICT

101 WEST WASHINGTON STREET  
HOLLANDALE, MS 38748  
DR. MARIO WILLIS, SUPERINTENDENT

## CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Hollandale School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

Finding 2021 - 001: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguards the district's funds.

Views of Management: The business manager, Timothy Ford, is responsible for the corrective action plan for Hollandale School District. Timothy Ford can be reached at (662) 378-7552. Corrective actions have been planned and implemented to adhere to all audit findings. All of these corrective actions will be followed continuously to ensure compliance to all laws and regulations regarding procurement and business operations.



# HOLLANDALE SCHOOL DISTRICT

101 WEST WASHINGTON STREET  
HOLLANDALE, MS 38748  
DR. MARIO WILLIS, SUPERINTENDENT

## SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOLLOW UP

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, the Hollandale School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2021:

Finding	Status
2020-001	Corrected
2020-002	Not Corrected (see Finding 2021-001)
2020-003	Not warranting further action