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HINDS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

HINDS COUNTY SCHOOL DISTRICT

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FINANCIAL AUDIT REPORT



A Professional Limited Liability Company

Kenneth M. Parker, CPA, CGMA

R. Phillip Parker, CPA, CGMA

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Hinds County 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 Hinds County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Hinds County 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Hinds County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-12 and 43-46 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 Hinds County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

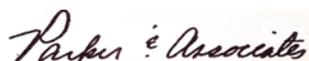
The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of the Hinds County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hinds County School District's internal control over financial reporting and compliance.

Parker & Associates, PLLC
Jackson, Mississippi
November 14, 2014



HINDS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Hinds County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. 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 2013 increased \$4,245,582, including a prior period adjustment of \$(25,447), which represents a 9% increase from fiscal year 2012. Total net position for 2012 increased \$5,224,019, including a prior period adjustment of \$(670,311), which represents a 12% increase from fiscal year 2011.
- General revenues amounted to \$51,681,694 and \$49,284,578, or 86% and 82% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,496,817, or 14% of total revenues for 2013, and \$11,094,128, or 18% of total revenues for 2012.
- The District had \$55,907,482 and \$54,484,376 in expenses for fiscal years 2013 and 2012; only \$8,496,817 for 2013 and \$11,094,128 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$51,681,694 for 2013 and \$49,284,578 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$44,693,296 in revenues and \$44,612,758 in expenditures for 2013, and \$44,223,048 in revenues and \$40,589,259 in expenditures in 2012. The General Fund's fund balance decreased by \$561,373, including a prior period adjustment of \$(25,326), from 2012 to 2013, and increased by \$182,239, including a prior period adjustment of \$61,561, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$1,229,180 for 2013 and decreased by \$336,459 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$5,307,265 for 2013 and decreased by \$4,571,053 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$3,522 for 2013 and decreased by \$12,679 for 2012.

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.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the 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 and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities by \$53,903,828 as of June 30, 2013.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

| | June 30, 2013 | June 30, 2012 | Percentage Change |
|---------------------------------------|----------------------|----------------------|------------------------------|
| Current assets | \$ 30,619,715 | \$ 30,674,055 | (0.18) % |
| Other assets | - | 193,591 | (100.00) % |
| Restricted assets | 548,093 | 574,539 | (4.60) % |
| Capital assets, net | 58,645,883 | 59,875,063 | (2.05) % |
| Total assets | 89,813,691 | 91,317,248 | (1.65) % |
| Deferred outflows of resources | 476,493 | - | N/A % |
| Current liabilities | 580,667 | 1,022,243 | (43.20) % |
| Other liabilities | - | (476,195) | (100.00) % |
| Long-term debt outstanding | 35,805,689 | 41,112,954 | (12.91) % |
| Total liabilities | 36,386,356 | 41,659,002 | (12.66) % |
| Net position: | | | |
| Net investment in capital assets | 26,433,428 | 22,636,258 | 16.77 % |
| Restricted | 13,400,603 | 12,386,646 | 8.19 % |
| Unrestricted | 14,069,797 | 14,635,342 | (3.86) % |
| Total net position | \$ 53,903,828 | \$ 49,658,246 | 8.55 % |

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 \$1,229,180.
- The principal retirement of \$5,310,787 of long-term debt.

Changes in Net Position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$60,178,511 and \$60,378,706, respectively. The total cost of all programs and services was \$55,907,482 for 2013 and \$54,484,376 for 2012.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in Net Position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

| | <u>Year Ended</u> <u>June 30, 2013</u> | <u>Year Ended</u> <u>June 30, 2012</u> | <u>Percentage</u> <u>Change</u> |
|---|---|---|------------------------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 1,522,688 | \$ 1,609,611 | (5.40) % |
| Operating grants and contributions | 6,974,129 | 9,484,517 | (26.47) % |
| General revenues: | | | |
| Property taxes | 24,947,066 | 22,223,785 | 12.25 % |
| Grants and contributions not restricted | 25,417,086 | 26,215,979 | (3.05) % |
| Investment earnings | 390,519 | 32,593 | 1,098.17 % |
| Sixteenth section sources | 674,997 | 715,838 | (5.71) % |
| Other | 252,026 | 96,383 | 161.48 % |
| Total revenues | 60,178,511 | 60,378,706 | (0.33) % |
| Expenses: | | | |
| Instruction | 27,521,135 | 27,078,297 | 1.64 % |
| Support services | 23,403,976 | 22,551,534 | 3.78 % |
| Non-instructional | 3,436,243 | 3,244,336 | 5.92 % |
| Sixteenth section | 73,816 | 88,248 | (16.35) % |
| Interest on long-term liabilities | 1,472,312 | 1,521,961 | (3.26) % |
| Total expenses | 55,907,482 | 54,484,376 | 2.61 % |
| Increase (Decrease) in net position | 4,271,029 | 5,894,330 | (27.54) % |
| Net Position, July 1, as previously reported | 49,658,246 | 44,434,227 | 11.76 % |
| Prior Period Adjustment | (25,447) | (670,311) | (96.20) % |
| Net Position, July 1, as restated | 49,632,799 | 43,763,916 | 13.41 % |
| Net Position, June 30 | \$ 53,903,828 | \$ 49,658,246 | 8.55 % |

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term 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.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 3
Net Cost of Governmental Activities

| | <u>Total Expenses</u> | | Percentage Change |
|------------------------------------|-------------------------------|-------------------------------|------------------------------|
| | <u>2013</u> | <u>2012</u> | |
| Instruction | \$ 27,521,135 | \$ 27,078,297 | 1.64 % |
| Support services | 23,403,976 | 22,551,534 | 3.78 % |
| Non-instructional | 3,436,243 | 3,244,336 | 5.92 % |
| Sixteenth section | 73,816 | 88,248 | (16.35) % |
| Interest on long-term liabilities | 1,472,312 | 1,521,961 | (3.26) % |
| Total expenses | <u>\$ 55,907,482</u> | <u>\$ 54,484,376</u> | 2.61 % |
| | | | |
| | <u>Net (Expense) Revenue</u> | | Percentage Change |
| | <u>2013</u> | <u>2012</u> | |
| Instruction | \$ (24,630,073) | \$ (22,676,353) | 8.62 % |
| Support services | (21,458,484) | (19,267,133) | 11.37 % |
| Non-instructional | 176,284 | 114,728 | 53.65 % |
| Sixteenth section | (26,080) | (39,529) | (34.02) % |
| Interest on long-term liabilities | (1,472,312) | (1,521,961) | (3.26) % |
| Total net (expense) revenue | <u>\$ (47,410,665)</u> | <u>\$ (43,390,248)</u> | 9.27 % |

- Net cost of governmental activities (\$47,410,665 for 2013 and \$43,390,248 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$24,947,066 for 2013 and \$22,223,785 for 2012) and state and federal revenues (\$25,417,086 for 2013 and \$26,215,979 for 2012). In addition, there was \$674,997 and \$715,838 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$390,519 for 2013 and \$32,593 for 2012

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 \$30,970,331, an increase of \$397,258, which includes a prior period adjustment of \$(25,550) and an increase in inventory of \$14,298. \$12,151,179, or 39%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$18,819,152, or 61%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$561,373, which includes a prior period adjustment of \$(25,326). The fund balance of Other Governmental Funds showed an increase in the amount of \$46,323, which includes a prior period adjustment of \$(224) and an increase in inventory of \$14,298. The increase (decrease) in the fund balances for the other major funds were as follows:

| <u>Major Fund</u> | | <u>Increase (Decrease)</u> |
|---------------------------------|----|----------------------------|
| Sixteenth Section Interest Fund | \$ | 503,135 |
| GO Bond Issue Retirement Fund | \$ | 409,173 |

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 made during the fiscal year were routine in nature and were insignificant when compared to the District's total revenues and expenditures.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$81,657,510, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$257,458 from 2012. Total accumulated depreciation as of June 30, 2013, was \$23,011,627, and total depreciation expense for the year was \$1,784,082, resulting in total net capital assets of \$58,645,883.

Table 4
Capital Assets, Net of Accumulated Depreciation

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Percentage</u> <u>Change</u> |
|-----------------------------------|----------------------|----------------------|------------------------------------|
| Land | \$ 30,914 | \$ 30,914 | 0.00 % |
| Construction in Progress | - | 1,464,926 | (100.00) % |
| Buildings | 56,812,044 | 56,574,178 | 0.42 % |
| Improvements other than buildings | 1,327,001 | 1,440,107 | (7.85) % |
| Mobile equipment | 76,711 | 103,264 | (25.71) % |
| Furniture and equipment | 399,213 | 261,674 | 52.56 % |
| Total | \$ 58,645,883 | \$ 59,875,063 | (2.05) % |

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

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$35,805,689 in outstanding long-term debt, of which \$5,539,464 is due within one year. During the fiscal year, the District made principal payments totaling \$5,310,787 on outstanding long-term debt. The liability for compensated absences increased \$3,522 from the prior year.

The District maintains an Aa3 bond rating.

**Table 5
Outstanding Long-Term Debt**

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Percentage Change</u> |
|----------------------------------|-----------------------------|-----------------------------|------------------------------|
| General obligation bonds payable | \$ 19,375,000 | \$ 23,260,000 | (16.70) % |
| Limited obligation bonds payable | 3,735,000 | 4,405,000 | (15.21) % |
| Three mill notes payable | 9,500,000 | 10,050,000 | (5.47) % |
| Performance leases payable | 2,936,348 | 3,142,135 | (6.55) % |
| Compensated absences payable | 259,341 | 255,819 | 1.38 % |
| Total | <u>\$ 35,805,689</u> | <u>\$ 41,112,954</u> | (12.91) % |

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

CURRENT ISSUES

The Hinds County 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 Hinds County School District, 13192 Highway 18, Raymond, MS 39154.

HINDS COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

HINDS COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2013**

Exhibit A

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 19,180,385 |
| Investments | 7,742,817 |
| Due from other governments | 3,593,087 |
| Other receivables, net | 22,460 |
| Inventories | 80,966 |
| Restricted assets | 548,093 |
| Capital assets, non-depreciable: | |
| Land | 30,914 |
| Capital assets, net of accumulated depreciation: | |
| Buildings | 56,812,044 |
| Improvements other than buildings | 1,327,001 |
| Mobile equipment | 76,711 |
| Furniture and equipment | 399,213 |
| Total Assets | 89,813,691 |
| Deferred Outflows of Resources | |
| Deferred outflow from advance refunding of debt | 476,493 |
| Total Deferred Outflows of Resources | 476,493 |
| Liabilities | |
| Accounts payable and accrued liabilities | 197,339 |
| Unearned revenue | 138 |
| Interest payable on long-term liabilities | 304,242 |
| Deferred bond premiums | 78,948 |
| Long-term liabilities, due within one year: | |
| Capital related liabilities | 5,300,000 |
| Non-capital related liabilities | 239,464 |
| Long-term liabilities, due beyond one year: | |
| Capital related liabilities | 27,310,000 |
| Non-capital related liabilities | 2,956,225 |
| Total Liabilities | 36,386,356 |
| Net Position | |
| Net investment in capital assets | 26,433,428 |
| Restricted for: | |
| Expendable: | |
| School-based activities | 9,988,485 |
| Debt service | 2,498,166 |
| Forestry improvements | 399,637 |
| Unemployment benefits | 408,251 |
| Non-expendable: | |
| Sixteenth section | 106,064 |
| Unrestricted | 14,069,797 |
| Total Net Position | \$ 53,903,828 |

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

HINDS COUNTY SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

| Functions/Programs | Expenses | Program Revenues | | | Governmental Activities | Net (Expense) Revenue and Changes in Net Position |
|--------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | |
| Governmental Activities: | | | | | | |
| Instruction | \$ 27,521,135 | \$ 537,138 | \$ 2,353,924 | \$ - | \$ | (24,630,073) |
| Support services | 23,403,976 | 43,395 | 1,902,097 | - | - | (21,458,484) |
| Non-instructional | 3,436,243 | 894,419 | 2,718,108 | - | - | 176,284 |
| Sixteenth section | 73,816 | 47,736 | - | - | - | (26,080) |
| Interest on long-term liabilities | 1,472,312 | - | - | - | - | (1,472,312) |
| Total Governmental Activities | \$ 55,907,482 | \$ 1,522,688 | \$ 6,974,129 | \$ - | \$ | (47,410,665) |

General Revenues:

| | |
|--|-------------------|
| Taxes: | |
| General purpose levies | 18,749,007 |
| Debt purpose levies | 6,198,059 |
| Unrestricted grants and contributions: | |
| State | 25,210,062 |
| Federal | 207,024 |
| Unrestricted investment earnings | 390,519 |
| Sixteenth section sources | 674,997 |
| Other | 252,026 |
| Total General Revenues | 51,681,694 |

| | |
|--|----------------------|
| Change in Net Position | 4,271,029 |
| Net Position - Beginning, as originally reported | 49,658,246 |
| Prior Period Adjustments | (25,447) |
| Net Position - Beginning, as restated | 49,632,799 |
| Net Position - Ending | \$ 53,903,828 |

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

**HINDS COUNTY SCHOOL DISTRICT
Governmental Funds**

**Balance Sheet
June 30, 2013**

Exhibit C

| | Major Funds | | | | | Total Governmental Funds |
|--|----------------------|---------------------------------------|-------------------------------------|--------------------------------|-----------|--------------------------------|
| | General Fund | Sixteenth Section Interest Fund | GO Bond Issue Retirement Fund | Other Governmental Funds | | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 11,513,303 | \$ 2,850,676 | \$ 603 | \$ 4,816,053 | \$ | 19,180,635 |
| Cash with fiscal agents | - | - | - | 466 | - | 466 |
| Investments | 2,120,620 | 3,596,052 | 1,377,063 | 1,196,459 | - | 8,290,194 |
| Due from other governments | 707,952 | 27,317 | 1,956,868 | 794,467 | - | 3,486,604 |
| Other receivables, net | 22,460 | - | - | - | - | 22,460 |
| Due from other funds | 2,284,831 | - | - | - | - | 2,284,831 |
| Advance to other funds | 1,058 | - | - | - | - | 1,058 |
| Inventories | - | - | - | 80,966 | - | 80,966 |
| Total assets | <u>\$ 16,650,224</u> | <u>\$ 6,474,045</u> | <u>\$ 3,334,534</u> | <u>\$ 6,888,411</u> | <u>\$</u> | <u>33,347,214</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | \$ 176,857 | \$ - | \$ - | \$ 20,482 | \$ | 197,339 |
| Due to other funds | - | - | 1,868,000 | 311,406 | - | 2,179,406 |
| Unearned revenue | - | - | - | 138 | - | 138 |
| Total Liabilities | <u>176,857</u> | <u>-</u> | <u>1,868,000</u> | <u>332,026</u> | <u>\$</u> | <u>2,376,883</u> |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | - | - | - | 80,966 | - | 80,966 |
| Permanent fund principal | - | - | - | 106,064 | - | 106,064 |
| Advances | 1,058 | - | - | - | - | 1,058 |
| Restricted: | | | | | | |
| Debt service | - | - | 1,466,534 | 1,335,874 | - | 2,802,408 |
| Forestry improvement purposes | - | - | - | 399,637 | - | 399,637 |
| Grant activities | - | - | - | 2,468,975 | - | 2,468,975 |
| Unemployment benefits | - | - | - | 408,251 | - | 408,251 |
| Child nutrition | - | - | - | 964,499 | - | 964,499 |
| Sixteenth section | - | 6,474,045 | - | - | - | 6,474,045 |
| Assigned: | | | | | | |
| Improvement of facilities | 4,050,597 | - | - | 579,596 | - | 4,630,193 |
| Activity funds | 268,913 | - | - | - | - | 268,913 |
| Other purposes | 1,620 | - | - | 212,523 | - | 214,143 |
| Unassigned | | | | | | |
| Total Fund Balances | <u>16,473,367</u> | <u>6,474,045</u> | <u>1,466,534</u> | <u>6,556,385</u> | <u>\$</u> | <u>30,970,331</u> |
| Total Liabilities and Fund Balances | <u>\$ 16,650,224</u> | <u>\$ 6,474,045</u> | <u>\$ 3,334,534</u> | <u>\$ 6,888,411</u> | <u>\$</u> | <u>33,347,214</u> |

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

**HINDS COUNTY SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013** **Exhibit C-1**

Total fund balances for governmental funds **\$ 30,970,331**

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 | \$ | 30,914 | |
| Buildings | | 76,204,356 | |
| Improvements other than buildings | | 2,857,017 | |
| Mobile equipment | | 429,242 | |
| Furniture and equipment | | 2,135,981 | |
| Accumulated depreciation | | <u>(23,011,627)</u> | 58,645,883 |

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

| | | | |
|----------------------------|--|------------------|--------------|
| General obligation bonds | | (19,375,000) | |
| Limited obligation bonds | | (3,735,000) | |
| Notes payable | | (9,500,000) | |
| Performance leases payable | | (2,936,348) | |
| Compensated absences | | (259,341) | |
| Unamortized charges | | 476,493 | |
| Unamortized premiums | | (78,948) | |
| Accrued interest payable | | <u>(304,242)</u> | (35,712,386) |

Net Position of governmental activities **\$ 53,903,828**

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

**HINDS COUNTY SCHOOL DISTRICT
Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013**

Exhibit D

| | Major Funds | | | | |
|--|----------------------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Sixteenth Section Interest Fund | GO Bond Issue Retirement Fund | Other Governmental Funds | Total Governmental Funds |
| Revenues: | | | | | |
| Local sources | \$ 19,816,513 | \$ - | \$ 5,165,911 | \$ 2,100,742 | \$ 27,083,166 |
| Intermediate sources | - | - | - | 47,377 | 47,377 |
| State sources | 24,669,759 | - | - | 1,323,961 | 25,993,720 |
| Federal sources | 207,024 | - | - | 6,190,473 | 6,397,497 |
| Sixteenth section sources | - | 576,848 | - | 36,508 | 613,356 |
| Total Revenues | 44,693,296 | 576,848 | 5,165,911 | 9,699,061 | 60,135,116 |
| Expenditures: | | | | | |
| Instruction | 23,310,563 | - | - | 2,685,095 | 25,995,658 |
| Support services | 20,945,466 | - | 172,173 | 2,221,734 | 23,339,373 |
| Noninstructional services | - | - | - | 3,326,184 | 3,326,184 |
| Sixteenth section | - | 73,713 | - | 103 | 73,816 |
| Facilities acquisition and construction | - | - | - | 288,041 | 288,041 |
| Debt service: | | | | | |
| Principal | 205,787 | - | 3,885,000 | 1,220,000 | 5,310,787 |
| Interest | 150,942 | - | 706,840 | 566,812 | 1,424,594 |
| Other | - | - | 9,125 | 2,423 | 11,548 |
| Total Expenditures | 44,612,758 | 73,713 | 4,773,138 | 10,310,392 | 59,770,001 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 80,538 | 503,135 | 392,773 | (611,331) | 365,115 |
| Other Financing Sources (Uses): | | | | | |
| Insurance recovery | 43,395 | - | - | - | 43,395 |
| Operating transfers in | 591,181 | - | 16,400 | 1,430,125 | 2,037,706 |
| Operating transfers out | (1,251,161) | - | - | (786,545) | (2,037,706) |
| Total Other Financing Sources (Uses) | (616,585) | - | 16,400 | 643,580 | 43,395 |
| Net Change in Fund Balances | (536,047) | 503,135 | 409,173 | 32,249 | 408,510 |
| Fund Balances: | | | | | |
| July 1, 2012, as previously reported | 17,034,740 | 5,970,910 | 1,057,361 | 6,510,062 | 30,573,073 |
| Prior period adjustments | (25,326) | - | - | (224) | (25,550) |
| July 1, 2012, as restated | 17,009,414 | 5,970,910 | 1,057,361 | 6,509,838 | 30,547,523 |
| Increase (Decrease) in inventory June 30, 2013 | - | - | - | 14,298 | 14,298 |
| | \$ 16,473,367 | \$ 6,474,045 | \$ 1,466,534 | \$ 6,556,385 | \$ 30,970,331 |

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

**HINDS COUNTY 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, 2013**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 408,510**

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 | \$ 589,903 | |
| Depreciation expense | <u>(1,784,082)</u> | (1,194,179) |

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. (35,104)

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

| | | |
|----------------------------|---------------|-----------|
| Payments of debt principal | 5,310,787 | |
| Accrued interest payable | <u>42,480</u> | 5,353,267 |

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

| | | |
|--|------------------|-----------|
| Change in compensated absences | (3,522) | |
| Change in inventory reserve | 14,298 | |
| Amortization of deferred charges, premiums and discounts | <u>(272,241)</u> | (261,465) |

Change in net position of governmental activities **\$ 4,271,029**

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

HINDS COUNTY SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

| | | Agency Funds |
|--|----|-----------------|
| Assets | | |
| Cash and cash equivalents | \$ | 2,179,659 |
| Total Assets | \$ | 2,179,659 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ | 1,997,445 |
| Due to other funds | | 105,425 |
| Advances from other funds | | 1,058 |
| Due to student clubs | | 75,731 |
| Total Liabilities | \$ | 2,179,659 |

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

Note 1 – Summary of Significant Accounting Policies

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

A. 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 county district.

For financial reporting purposes, Hinds County 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 and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2013

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

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Sixteenth Section Interest Fund - This special revenue fund accounts for the expendable revenues associated with earnings on sixteenth section lands and the expenditures incurred for maintaining and improving sixteenth section lands.

GO Bond Issue Retirement Fund - This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the District's general obligation bonds.

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

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2013

support the district's programs.

FIDUCIARY FUNDS

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the county 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 are 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.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2013

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, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, 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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2013

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

| | 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. Implementation of GASB 65

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2013

For the fiscal year ended June 30, 2013, the district implemented Governmental Accounting Standards Board (GASB) Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also provides other financial reporting guidance related to the impact of the financial statement elements of deferred outflows of deferred resources and deferred inflows of resources, such as the changes in the determination of major fund calculations and limiting the use of *deferred* in financial statement presentations.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow from advance refunding of debt. See Note 17 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are no deferred inflows presented by the school district.

9. 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.

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

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

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

11. Fund Balances

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2013

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

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

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

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

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

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

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

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

Note 2 – Cash and Cash Equivalents, 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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2013

against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$19,180,635 and \$2,179,659, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$19,180,385 and a portion of restricted assets in the amount of \$250. The bank balance was \$23,281,844.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$23,281,844 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 \$466.

Investments

As of June 30, 2013, the district had the following investments.

| Investment Type | Rating | Maturities (in years) | Fair Value |
|--------------------------------------|-----------|--------------------------|---------------------|
| Federated US Treasury Cash Reserve | Not Rated | less than 1 year | \$ 10,000 |
| Fidelity Investment Bonds | Various | 1 to 20 years | 8,174,595 |
| MS Dev Bank Special Obligation Bonds | A1/AA-/A+ | 1 to 5 years | 105,599 |
| Total | | | <u>\$ 8,290,194</u> |

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

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, 2013, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the district did not have any investments to which this would apply.

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 | GO Bond Issue Retirement Fund | \$ 1,868,000 |
| | Other governmental funds | 311,406 |
| | Fiduciary funds | 105,425 |
| Total | | \$ 2,284,831 |

The purpose of the inter-fund loans was primarily to cover deficit cash balances. Balances are expected to be repaid within one year from the date of the financial statements.

B. Advances To/From Other Funds

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------|----------|
| General Fund | Fiduciary funds | \$ 1,058 |
| Total | | \$ 1,058 |

The purpose of the advance was to cover checks written before the money was transferred from the fund incurring the expenditure to reimburse the fiduciary fund.

C. Inter-fund Transfers

| Transfers Out | Transfers In | Amount |
|--------------------------|-------------------------------|--------------|
| General Fund | Other governmental funds | \$ 1,251,161 |
| Other governmental funds | General Fund | 591,181 |
| | GO Bond Issue Retirement Fund | 16,400 |
| | Other governmental funds | 178,964 |
| Total | | \$ 2,037,706 |

The transfers were primarily for the following: indirect cost transfers, vocational and special educational expenditure transfers, unemployment transfers, debt service transfers, and other operating transfers.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent and investment balance, totaling \$466 and \$105,599, respectively, 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 and investment balance, totaling \$250 and \$441,778, respectively, of the MAEP Limited Obligation Bond Funds.

Note 5 – Capital Assets

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

| | Balance 7/1/2012 | Increases | Decreases | Completed Construction | Adjustments | Balance 6/30/2013 |
|---|---------------------|----------------|-----------|---------------------------|-------------|----------------------|
| Governmental Activities: | | | | | | |
| <u>Non-depreciable capital assets:</u> | | | | | | |
| Land | \$ 30,914 | | | | | \$ 30,914 |
| Construction-in-progress | 1,464,926 | 288,041 | | (1,752,967) | | - |
| Total non-depreciable capital assets | 1,495,840 | 288,041 | - | (1,752,967) | - | 30,914 |
| <u>Depreciable capital assets:</u> | | | | | | |
| Buildings | 74,593,660 | | 142,271 | 1,752,967 | | 76,204,356 |
| Improvements other than buildings | 2,857,017 | | | | | 2,857,017 |
| Mobile equipment | 429,242 | | | | | 429,242 |
| Furniture and equipment | 2,024,293 | 301,862 | 200,437 | | 10,263 | 2,135,981 |
| Total depreciable capital assets | 79,904,212 | 301,862 | 342,708 | 1,752,967 | 10,263 | 81,626,596 |
| <u>Less accumulated depreciation for:</u> | | | | | | |
| Buildings | 18,019,482 | 1,486,647 | 113,817 | | | 19,392,312 |
| Improvements other than buildings | 1,416,910 | 113,106 | | | | 1,530,016 |
| Mobile equipment | 325,978 | 26,553 | | | | 352,531 |
| Furniture and equipment | 1,762,619 | 157,776 | 193,787 | | 10,160 | 1,736,768 |
| Total accumulated depreciation | 21,524,989 | 1,784,082 | 307,604 | - | 10,160 | 23,011,627 |
| Total depreciable capital assets, net | 58,379,223 | (1,482,220) | 35,104 | 1,752,967 | 103 | 58,614,969 |
| Governmental activities capital assets, net | \$ 59,875,063 | \$ (1,194,179) | \$ 35,104 | \$ - | \$ 103 | \$ 58,645,883 |

An adjustment was needed to correct the cost and prior year accumulated depreciation for an item of furniture and equipment that was purchased in a prior year.

Depreciation expense was charged to the following governmental functions:

| | <u>Amount</u> |
|--|---------------------|
| Governmental activities: | |
| Instruction | \$ 1,599,753 |
| Support services | 26,553 |
| Non-instructional | 157,776 |
| Total depreciation expense - Governmental activities | <u>\$ 1,784,082</u> |

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 6 – Long-term Liabilities

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

| | Balance 7/1/2012 | Additions | Reductions | Balance 6/30/2013 | Amounts due within one year |
|-------------------------------------|----------------------|-----------------|---------------------|----------------------|-----------------------------------|
| A. General obligation bonds payable | \$ 23,260,000 | \$ | \$ 3,885,000 | \$ 19,375,000 | \$ 4,045,000 |
| B. Limited obligation bonds payable | 4,405,000 | | 670,000 | 3,735,000 | 690,000 |
| C. Three mill notes payable | 10,050,000 | | 550,000 | 9,500,000 | 565,000 |
| D. Performance leases payable | 3,142,135 | | 205,787 | 2,936,348 | 226,497 |
| E. Compensated absences payable | 255,819 | 3,522 | | 259,341 | 12,967 |
| Total | \$ 41,112,954 | \$ 3,522 | \$ 5,310,787 | \$ 35,805,689 | \$ 5,539,464 |

A. General obligation bonds payable

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

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|--|------------------|------------|------------------|----------------------|-----------------------|
| 1 General obligation bonds, Series 2003 | 3.5-4.1% | 3/15/2003 | 3/15/2015 | \$ 21,000,000 | \$ 4,685,000 |
| 2 General obligation refunding bonds, Series 2004 | 2.25-4.0% | 12/30/2004 | 12/1/2017 | 3,560,000 | 1,375,000 |
| 3 General obligation refunding bonds, Series 2008 | 2.4-3.5% | 5/1/2008 | 5/1/2014 | 7,355,000 | 1,340,000 |
| 4 General obligation refunding bonds, Series 2010-A | 2.0-3.375% | 4/20/2010 | 4/1/2019 | 3,065,000 | 2,110,000 |
| 5 General obligation refunding bonds, Series 2010-C | 2.0-3.0% | 4/20/2010 | 4/1/2017 | 2,345,000 | 1,390,000 |
| 6 General obligation refunding bonds, Series 2011 | 2.0-3.0% | 7/28/2011 | 3/15/2018 | 8,770,000 | 8,475,000 |
| Total | | | | \$ 46,095,000 | \$ 19,375,000 |

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

1. General obligation bond issue on March 15, 2003:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 1,610,000 | \$ 190,475 | \$ 1,800,475 |
| 2015 | 3,075,000 | 126,075 | 3,201,075 |
| Total | \$ 4,685,000 | \$ 316,550 | \$ 5,001,550 |

This debt will be retired from the GO Bond Issue Retirement Fund.

2. General obligation refunding bond issue on December 30, 2004:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 315,000 | \$ 44,917 | \$ 359,917 |
| 2015 | 325,000 | 33,555 | 358,555 |
| 2016 | 335,000 | 21,508 | 356,508 |
| 2017 | 345,000 | 8,755 | 353,755 |
| 2018 | 55,000 | 1,100 | 56,100 |
| Total | \$ 1,375,000 | \$ 109,835 | \$ 1,484,835 |

This debt will be retired from the GO Bond Issue Retirement Fund.

3. General obligation refunding bond issue on May 1, 2008:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|------------------|---------------------|
| 2014 | \$ 1,340,000 | \$ 44,380 | \$ 1,384,380 |
| Total | \$ 1,340,000 | \$ 44,380 | \$ 1,384,380 |

This debt will be retired from the GO Bond Issue Retirement Fund.

4. General obligation refunding bond issue on April 20, 2010:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 330,000 | \$ 62,338 | \$ 392,338 |
| 2015 | 335,000 | 55,737 | 390,737 |
| 2016 | 345,000 | 45,688 | 390,688 |
| 2017 | 355,000 | 35,337 | 390,337 |
| 2018 | 365,000 | 24,688 | 389,688 |
| 2019 | 380,000 | 12,825 | 392,825 |
| Total | <u>\$ 2,110,000</u> | <u>\$ 236,613</u> | <u>\$ 2,346,613</u> |

This debt will be retired from the GO Bond Issue Retirement Fund.

5. General obligation refunding bond issue on April 20, 2010:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 335,000 | \$ 38,350 | \$ 373,350 |
| 2015 | 340,000 | 31,650 | 371,650 |
| 2016 | 350,000 | 21,450 | 371,450 |
| 2017 | 365,000 | 10,950 | 375,950 |
| Total | <u>\$ 1,390,000</u> | <u>\$ 102,400</u> | <u>\$ 1,492,400</u> |

This debt will be retired from the GO Bond Issue Retirement Fund.

6. General obligation refunding bond issue on July 28, 2011:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 115,000 | \$ 199,075 | \$ 314,075 |
| 2015 | 115,000 | 196,775 | 311,775 |
| 2016 | 3,515,000 | 194,475 | 3,709,475 |
| 2017 | 3,545,000 | 124,175 | 3,669,175 |
| 2018 | 1,185,000 | 35,550 | 1,220,550 |
| Total | <u>\$ 8,475,000</u> | <u>\$ 750,050</u> | <u>\$ 9,225,050</u> |

This debt will be retired from the GO Bond Issue Retirement Fund.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Total general obligation bond payments for all issues:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 2014 | \$ 4,045,000 | \$ 579,535 | \$ 4,624,535 |
| 2015 | 4,190,000 | 443,792 | 4,633,792 |
| 2016 | 4,545,000 | 283,121 | 4,828,121 |
| 2017 | 4,610,000 | 179,217 | 4,789,217 |
| 2018 | 1,605,000 | 61,338 | 1,666,338 |
| 2019 | 380,000 | 12,825 | 392,825 |
| Total | \$ 19,375,000 | \$ 1,559,828 | \$ 20,934,828 |

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2012.

B. Limited obligation bonds payable

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

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------------|------------------|------------|------------------|---------------------|-----------------------|
| State aid capital improvement | | | | | |
| refunding bonds, Series 2007 | 3.25-4.0% | 12/20/2007 | 3/1/2018 | \$ 6,945,000 | \$ 3,735,000 |
| Total | | | | \$ 6,945,000 | \$ 3,735,000 |

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 690,000 | \$ 137,889 | \$ 827,889 |
| 2015 | 725,000 | 110,288 | 835,288 |
| 2016 | 745,000 | 84,914 | 829,914 |
| 2017 | 775,000 | 58,094 | 833,094 |
| 2018 | 800,000 | 30,000 | 830,000 |
| Total | \$ 3,735,000 | \$ 421,185 | \$ 4,156,185 |

This debt will be retired from the MAEP Retirement Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Three mill notes payable

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|---------------|------------|---------------|----------------------|---------------------|
| Limited tax note, Series 2006 | 4.0-5.0% | 11/30/2006 | 4/1/2026 | \$ 9,750,000 | \$ 8,715,000 |
| Limited tax refunding notes, Series 2010-B | 2.0-3.0% | 4/20/2010 | 3/1/2017 | 1,800,000 | 785,000 |
| Total | | | | <u>\$ 11,550,000</u> | <u>\$ 9,500,000</u> |

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

1. Limited tax note issue on November 30, 2006:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2014 | \$ 310,000 | \$ 367,854 | \$ 677,854 |
| 2015 | 390,000 | 352,354 | 742,354 |
| 2016 | 415,000 | 332,854 | 747,854 |
| 2017 | 495,000 | 312,104 | 807,104 |
| 2018 | 670,000 | 292,922 | 962,922 |
| 2019 – 2023 | 3,775,000 | 1,034,646 | 4,809,646 |
| 2024 – 2026 | 2,660,000 | 226,165 | 2,886,165 |
| Total | <u>\$ 8,715,000</u> | <u>\$ 2,918,899</u> | <u>\$ 11,633,899</u> |

This debt will be retired from the Three Mill Note Retirement Fund.

2. Limited tax refunding note issue on April 20, 2010:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|------------------|-------------------|
| 2014 | \$ 255,000 | \$ 21,000 | \$ 276,000 |
| 2015 | 195,000 | 15,900 | 210,900 |
| 2016 | 195,000 | 10,050 | 205,050 |
| 2017 | 140,000 | 4,200 | 144,200 |
| Total | <u>\$ 785,000</u> | <u>\$ 51,150</u> | <u>\$ 836,150</u> |

This debt will be retired from the Three Mill Note Retirement Fund.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Total three mill notes payable payments for all issues:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2014 | \$ 565,000 | \$ 388,854 | \$ 953,854 |
| 2015 | 585,000 | 368,254 | 953,254 |
| 2016 | 610,000 | 342,904 | 952,904 |
| 2017 | 635,000 | 316,304 | 951,304 |
| 2018 | 670,000 | 292,922 | 962,922 |
| 2019 – 2023 | 3,775,000 | 1,034,646 | 4,809,646 |
| 2024 – 2026 | 2,660,000 | 226,165 | 2,886,165 |
| Total | \$ 9,500,000 | \$ 2,970,049 | \$ 12,470,049 |

D. Performance leases payable

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-----------------------------|------------------|------------|------------------|---------------------|-----------------------|
| 1. Performance Leasing 2007 | 4.95% | 12/27/2007 | 6/14/2022 | \$ 2,823,075 | \$ 2,204,546 |
| 2. Performance Leasing 2008 | 4.95% | 1/14/2008 | 5/14/2022 | 938,625 | 731,802 |
| Total | | | | \$ 3,761,700 | \$ 2,936,348 |

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

1. Performance lease issue on December 27, 2007:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 169,757 | \$ 105,334 | \$ 275,091 |
| 2015 | 186,314 | 96,560 | 282,874 |
| 2016 | 203,958 | 86,941 | 290,899 |
| 2017 | 222,754 | 76,423 | 299,177 |
| 2018 | 242,766 | 64,948 | 307,714 |
| 2019 – 2022 | 1,178,997 | 123,383 | 1,302,380 |
| Total | \$ 2,204,546 | \$ 553,589 | \$ 2,758,135 |

This debt will be retired from the District Maintenance Fund.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2013

2. Performance lease issue on January 14, 2008:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|-------------------|----------------|
| 2014 | \$ 56,740 | \$ 34,957 | 91,697 |
| 2015 | 62,267 | 32,024 | 94,291 |
| 2016 | 68,156 | 28,810 | 96,966 |
| 2017 | 74,430 | 25,296 | 99,726 |
| 2018 | 81,110 | 21,461 | 102,571 |
| 2019 – 2023 | 389,099 | 40,286 | 429,385 |
| Total | <u>\$ 731,802</u> | <u>\$ 182,834</u> | <u>914,636</u> |

This debt will be retired from the District Maintenance Fund.

Total performance lease payments for all issues:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|------------------|
| 2014 | \$ 226,497 | \$ 140,291 | 366,788 |
| 2015 | 248,581 | 128,584 | 377,165 |
| 2016 | 272,114 | 115,751 | 387,865 |
| 2017 | 297,184 | 101,719 | 398,903 |
| 2018 | 323,876 | 86,409 | 410,285 |
| 2019 – 2022 | 1,568,096 | 163,669 | 1,731,765 |
| Total | <u>\$ 2,936,348</u> | <u>\$ 736,423</u> | <u>3,672,771</u> |

Performance leasing agreements dated December 27, 2007, and January 14, 2008, were executed by and between the district, the lessee, and FNBS Investments, Inc., the lessor.

The agreements authorized the borrowing of \$3,761,700 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the District Maintenance Fund and not exceed fifteen (15) years.

The district entered into these performance leasing agreements under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

E. Compensated absences payable

As more fully explained in Note 1(E)(9), 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 – Prior Year Defeasance of Debt

In prior years, the Hinds County School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

district's financial statements. On June 30, 2013, \$0 of bonds outstanding are defeased.

Note 8 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Fifteen fax machines
2. Eleven postage machines
3. Forty-five copier machines
4. Five duplicator machines

Lease expenditures for the year ended June 30, 2013, amounted to \$157,632.

Future lease payments for these leases are as follows:

| Year Ending June 30 | Amount |
|------------------------|-------------------|
| 2014 | \$ 151,920 |
| 2015 | 150,206 |
| 2016 | 33,844 |
| 2017 | 15,753 |
| 2018 | <u>8,772</u> |
| Total | <u>\$ 360,495</u> |

Note 9 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$3,701,506, \$3,177,275 and \$2,986,753, respectively, which equaled the required contributions for each year.

Note 10 – 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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2013

disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

| Year Ending June 30 | Amount |
|------------------------|---------------------|
| 2014 | \$ 159,797 |
| 2015 | 159,797 |
| 2016 | 159,797 |
| 2017 | 159,797 |
| 2018 | 159,797 |
| 2019 – 2023 | 783,985 |
| 2024 – 2028 | 723,985 |
| 2029 – 2033 | 723,985 |
| 2034 – 2038 | 714,285 |
| Thereafter | <u>1,291,844</u> |
| Total | <u>\$ 5,037,069</u> |

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

| Explanation | Amount |
|---|--------------------|
| 1. To void outstanding checks from prior year, correct prior period expenditures, and reduce prior year receivable at governmental fund level | \$ (25,550) |
| 2. To correct prior year cost and accumulated depreciation for a capital asset item purchased in a prior year | 103 |
| Total | <u>\$ (25,447)</u> |

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

| Fund | Explanation | Amount |
|--------------------------|---|--------------------|
| General Fund | To void outstanding checks from prior year, correct prior period expenditures, and reduce prior year receivable | \$ (25,326) |
| Other governmental funds | To void outstanding checks from prior year and correct prior period expenditures | (224) |
| Total | | <u>\$ (25,550)</u> |

Note 12 – Contingencies

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

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

Note 13 – Risk Management

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

Note 14 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated May 24, 2005 creating the Main Street Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Pearl Public School District, Hinds Agricultural High School and Hinds County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Hinds County School District has been designated as the lead school district for the Main Street Alternative School, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances are presented to detail the financial activity of the Main Street Alternative School.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2013

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended June 30, 2013

| | |
|---|------------------|
| Revenues | |
| Local sources | \$ - |
| State sources | - |
| Federal sources | - |
| Total Revenues | <u>-</u> |
| Expenditures | |
| Salaries | 441,447 |
| Employee benefits | 141,169 |
| Purchased professional and technical services | 14,536 |
| Purchased property services | 42,735 |
| Other purchased services | 393 |
| Supplies | 12,633 |
| Property | 4,075 |
| Other | 1,425 |
| Total Expenditures | <u>658,413</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(658,413)</u> |
| Other Financing Sources/Uses: | |
| Transfers in | <u>606,020</u> |
| Total Other Financing Sources/Uses | <u>606,020</u> |
| Net Change in Fund Balance | <u>(52,393)</u> |
| Fund Balance: | |
| July 1, 2012 | <u>52,402</u> |
| June 30, 2013 | <u>\$ 9</u> |

Note 15 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated March 11, 2004, creating the Hinds County Schools Vocational Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Hinds County School District and the Hinds Community College.

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 Hinds Community College has been designated as the fiscal agent for the Hinds County Schools Vocational Technical Center, and the operations of the center are included in its financial statements.

Note 16 - Insurance loss recoveries

The Hinds County School District received \$43,395 in insurance loss recoveries related to wind damage and vehicle repairs during the 2012-2013 fiscal year. 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 17 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$26,433,428 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$476,493 balance of the deferred outflow of resources at June 30, 2013 will be recognized as an expense and decrease the net investment in capital assets net position over the next 6 years.

Note 18 - 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 Hinds County School District evaluated the activity of the district through November 14, 2014, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

HINDS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|--|------------------|---------------|------------------------|----------------------|--------------------|
| | | | | Positive (Negative) | |
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Local sources | \$ 17,881,777 | \$ 17,881,777 | \$ 19,816,513 | \$ - | \$ 1,934,736 |
| State sources | 25,591,472 | 25,591,472 | 24,669,759 | - | (921,713) |
| Federal sources | 755,000 | 755,000 | 207,024 | - | (547,976) |
| Total Revenues | 44,228,249 | 44,228,249 | 44,693,296 | - | 465,047 |
| Expenditures: | | | | | |
| Instruction | 24,519,196 | 23,569,687 | 23,310,563 | 949,509 | 259,124 |
| Support services | 23,383,638 | 20,970,044 | 20,945,466 | 2,413,594 | 24,578 |
| Facilities acquisition and construction | 2,000 | - | - | 2,000 | - |
| Debt service: | | | | | |
| Principal | 205,787 | 223,538 | 205,787 | (17,751) | 17,751 |
| Interest | 144,213 | 163,054 | 150,942 | (18,841) | 12,112 |
| Total Expenditures | 48,254,834 | 44,926,323 | 44,612,758 | 3,328,511 | 313,565 |
| Excess (Deficiency) of Revenues over (under) Expenditures | (4,026,585) | (698,074) | 80,538 | 3,328,511 | 778,612 |
| Other Financing Sources (Uses): | | | | | |
| Insurance recovery | - | - | 43,395 | - | 43,395 |
| Operating transfers in | 5,307,036 | 5,307,036 | 591,181 | - | (4,715,855) |
| Operating transfers out | (6,342,720) | (5,765,472) | (1,251,161) | 577,248 | 4,514,311 |
| Total Other Financing Sources (Uses) | (1,035,684) | (458,436) | (616,585) | 577,248 | (158,149) |
| Net Change in Fund Balances | (5,062,269) | (1,156,510) | (536,047) | 3,905,759 | 620,463 |
| Fund Balances: | | | | | |
| July 1, 2012, as previously reported | 17,056,951 | 17,056,951 | 17,034,740 | - | (22,211) |
| Prior period adjustments | (39,881) | (9,629) | (25,326) | 30,252 | (15,697) |
| July 1, 2012, as restated | 17,017,070 | 17,047,322 | 17,009,414 | 30,252 | (37,908) |
| June 30, 2013 | \$ 11,954,801 | \$ 15,890,812 | \$ 16,473,367 | \$ 3,936,011 | \$ 582,555 |

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

HINDS COUNTY SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2013

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|--------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Sixteenth section sources | 620,350 | 620,350 | 576,848 | - | (43,502) |
| Total Revenues | 620,350 | 620,350 | 576,848 | - | (43,502) |
| Expenditures: | | | | | |
| Sixteenth section | 92,790 | 73,713 | 73,713 | 19,077 | - |
| Total Expenditures | 92,790 | 73,713 | 73,713 | 19,077 | - |
| Excess (Deficiency) of Revenues over (under) Expenditures | 527,560 | 546,637 | 503,135 | 19,077 | (43,502) |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Net Change in Fund Balances | 527,560 | 546,637 | 503,135 | 19,077 | (43,502) |
| Fund Balances: | | | | | |
| July 1, 2012, as originally reported | 5,922,773 | 5,922,773 | 5,970,910 | - | 48,137 |
| Prior period adjustments | (1,000) | - | - | 1,000 | - |
| July 1, 2012, as restated | 5,921,773 | 5,922,773 | 5,970,910 | 1,000 | 48,137 |
| June 30, 2013 | \$ 6,449,333 | \$ 6,469,410 | \$ 6,474,045 | \$ 20,077 | \$ 4,635 |

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(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.

HINDS COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

HINDS COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

| Federal Grantor/ Pass-through Grantor/ Program Title | Catalog of Federal Domestic Assistance No. | Federal Expenditures |
|--|--|-------------------------|
| <u>U.S. Department of Agriculture</u> | | |
| Passed-through Mississippi Department of Education: | | |
| Child nutrition cluster: | | |
| School breakfast program | 10.553 | \$ 667,736 |
| National school lunch program | 10.555 | 2,225,472 |
| Total child nutrition cluster | | 2,893,208 |
| Total passed-through Mississippi Department of Education | | 2,893,208 |
| Total U.S. Department of Agriculture | | 2,893,208 |
| <u>U.S. Department of Defense</u> | | |
| Direct Program: | | |
| Reserve Officers' Training Corps | 12.XXX | 122,987 |
| Total U.S. Department of Defense | | 122,987 |
| <u>Federal Communications Commission</u> | | |
| Administered through the Universal Service Administrative Company: | | |
| The schools and libraries program of the universal service fund | 32.XXX | 122,153 |
| Total Federal Communications Commission | | 122,153 |
| <u>U.S. Department of Education</u> | | |
| Passed-through Mississippi Department of Education: | | |
| Title I grants to local educational agencies | 84.010 | 1,648,779 |
| Total Title I cluster | | 1,648,779 |
| Career and Technical Education - Basic Grants to States | 84.048 | 73,884 |
| Title IV Rural & Low | 84.358 | 6,138 |
| Improving Teacher Quality State Grants | 84.367 | 318,887 |
| Enhancing Education | 84.318 | 18,644 |
| Education Job Funds | 84.410 | 26,457 |
| Subtotal | | 2,092,789 |
| Special education cluster: | | |
| Special education - grants to states | 84.027 | 1,119,713 |
| Special education - preschool grants | 84.173 | 29,358 |
| Total special education cluster | | 1,149,071 |
| Total passed-through Mississippi Department of Education | | 3,241,860 |
| Total U.S. Department of Education | | 3,241,860 |
| <u>U.S. Department of Health and Human Services</u> | | |
| Passed-through the Mississippi Department of Education: | | |
| Medical Assistance Program | 93.778 | 53,844 |
| Total passed-through Mississippi Department of Education | | 53,844 |
| Total U.S. Department of Health and Human Services | | 53,844 |
| Total for All Federal Awards | | \$ 6,434,052 |

NOTES TO SCHEDULE

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

HINDS COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds
For the Year Ended June 30, 2013

| <u>Expenditures</u> | <u>Total</u> | <u>Instruction and Other Student Instructional Expenditures</u> | <u>General Administration</u> | <u>School Administration</u> | <u>Other</u> |
|------------------------------|----------------------|---|-----------------------------------|----------------------------------|-------------------|
| Salaries and fringe benefits | \$ 34,654,564 | 27,731,184 | 1,546,264 | 3,280,720 | 2,096,396 |
| Other | <u>25,115,437</u> | <u>2,882,338</u> | <u>1,493,192</u> | <u>115,012</u> | <u>20,624,895</u> |
| Total | <u>\$ 59,770,001</u> | <u>30,613,522</u> | <u>3,039,456</u> | <u>3,395,732</u> | <u>22,721,291</u> |
| Total number of students* | <u>5,627</u> | | | | |
| Cost per student | <u>\$ 10,622</u> | <u>5,440</u> | <u>540</u> | <u>603</u> | <u>4,038</u> |

NOTES TO SCHEDULE

1. 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.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

* Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

HINDS COUNTY SCHOOL DISTRICT

OTHER INFORMATION

HINDS COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

| | 2013 | 2012* | 2011* | 2010* |
|--|----------------------|----------------------|----------------------|----------------------|
| Revenues: | | | | |
| Local sources | \$ 19,816,513 | \$ 18,566,457 | \$ 17,636,152 | \$ 16,060,673 |
| State sources | 24,669,759 | 24,949,276 | 23,620,986 | 26,050,891 |
| Federal sources | 207,024 | 707,315 | 326,874 | 167,216 |
| Total Revenues | <u>44,693,296</u> | <u>44,223,048</u> | <u>41,584,012</u> | <u>42,278,780</u> |
| Expenditures: | | | | |
| Instruction | 23,310,563 | 21,283,676 | 19,944,127 | 21,123,592 |
| Support services | 20,945,466 | 18,955,106 | 17,791,470 | 17,387,013 |
| Noninstructional services | | | | |
| Facilities acquisition and construction | 0 | 3,500 | | |
| Debt service: | | | | |
| Principal | 205,787 | 186,374 | 168,188 | 151,073 |
| Interest | 150,942 | 160,603 | 169,336 | 177,200 |
| Other | | | | |
| Total Expenditures | <u>44,612,758</u> | <u>40,589,259</u> | <u>38,073,121</u> | <u>38,838,878</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>80,538</u> | <u>3,633,789</u> | <u>3,510,891</u> | <u>3,439,902</u> |
| Other Financing Sources (Uses): | | | | |
| Insurance loss recoveries | 43,395 | | | |
| Sale of transportation equipment | | | 52,900 | |
| Operating transfers in | 591,181 | 138,817 | 196,901 | 620,062 |
| Operating transfers out | (1,251,161) | (3,651,928) | (2,576,209) | (1,282,453) |
| Total Other Financing Sources (Uses) | <u>(616,585)</u> | <u>(3,513,111)</u> | <u>(2,326,408)</u> | <u>(662,391)</u> |
| Net Change in Fund Balances | <u>(536,047)</u> | <u>120,678</u> | <u>1,184,483</u> | <u>2,777,511</u> |
| Fund Balances: | | | | |
| Beginning of period, as originally reported | 17,034,740 | 16,852,501 | 15,657,630 | 12,832,632 |
| Prior period adjustments | (25,326) | 61,561 | 10,388 | 47,487 |
| Beginning of period, as restated | <u>17,009,414</u> | <u>16,914,062</u> | <u>15,668,018</u> | <u>12,880,119</u> |
| End of Period | <u>\$ 16,473,367</u> | <u>\$ 17,034,740</u> | <u>\$ 16,852,501</u> | <u>\$ 15,657,630</u> |

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

| | 2013 | 2012* | 2011* | 2010* |
|--|----------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Local sources | \$ 27,083,166 | \$ 23,912,281 | \$ 23,978,739 | \$ 23,136,013 |
| Intermediate sources | 47,377 | 250 | 32,093 | 79,014 |
| State sources | 25,993,720 | 26,321,431 | 24,809,045 | 27,352,289 |
| Federal sources | 6,397,497 | 9,379,064 | 8,360,857 | 8,569,956 |
| Sixteenth section sources | 613,356 | 765,680 | 610,058 | 953,660 |
| Total Revenues | <u>60,135,116</u> | <u>60,378,706</u> | <u>57,790,792</u> | <u>60,090,932</u> |
| Expenditures: | | | | |
| Instruction | 25,995,658 | 25,659,237 | 24,686,417 | 26,171,270 |
| Support services | 23,339,373 | 22,550,024 | 20,132,852 | 19,707,917 |
| Noninstructional services | 3,326,184 | 3,107,360 | 3,077,324 | 2,993,869 |
| Sixteenth section | 73,816 | 88,248 | 113,808 | 62,379 |
| Facilities acquisition and construction | 288,041 | 1,250,932 | 213,994 | |
| Debt service: | | | | |
| Principal | 5,310,787 | 5,228,374 | 4,909,188 | 4,591,073 |
| Interest | 1,424,594 | 1,514,373 | 1,880,089 | 2,207,458 |
| Debt issuance costs | | | | 194,641 |
| Other | 11,548 | 88,389 | 11,400 | 12,157 |
| Total Expenditures | <u>59,770,001</u> | <u>59,486,937</u> | <u>55,025,072</u> | <u>55,940,764</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>365,115</u> | <u>891,769</u> | <u>2,765,720</u> | <u>4,150,168</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds of refunding bonds/notes | | 8,770,000 | | 7,210,000 |
| Sale of transportation equipment | | | 52,900 | |
| Premium on debt issuance | 43,395 | 56,645 | | 73,763 |
| Insurance loss recoveries | | | | |
| Operating transfers in | 2,037,706 | 3,939,496 | 2,910,154 | 2,051,759 |
| Operating transfers out | (2,037,706) | (3,939,496) | (2,910,154) | (2,051,759) |
| Payment to refunded bond escrow agent | | (8,749,145) | | (7,089,122) |
| Total Other Financing Sources (Uses) | <u>43,395</u> | <u>77,500</u> | <u>52,900</u> | <u>194,641</u> |
| Net Change in Fund Balances | <u>408,510</u> | <u>969,269</u> | <u>2,818,620</u> | <u>4,344,809</u> |
| Fund Balances: | | | | |
| Beginning of period, as originally reported | 30,573,073 | 30,223,385 | 27,370,769 | 23,099,086 |
| Prior period adjustments | (25,550) | (576,438) | 10,388 | (72,730) |
| Beginning of period, as restated | <u>30,547,523</u> | <u>29,646,947</u> | <u>27,381,157</u> | <u>23,026,356</u> |
| Increase (Decrease) in reserve for inventory | <u>14,298</u> | <u>(43,143)</u> | <u>23,608</u> | <u>(396)</u> |
| End of Period | <u>\$ 30,970,331</u> | <u>30,573,073</u> | <u>30,223,385</u> | <u>27,370,769</u> |

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



Kenneth M. Parker, CPA, CGMA

R. Phillip Parker, CPA, CGMA

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

Superintendent and School Board
Hinds County 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 Hinds County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hinds County School District's basic financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control Over Financial Reporting

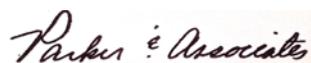
In planning and performing our audit of the financial statements, we considered Hinds County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hinds County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hinds County School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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.

A handwritten signature in cursive script that reads "Parker & Associates". The signature is written in black ink on a light-colored background.

Parker & Associates, PLLC
November 14, 2014
Jackson, Mississippi



A Professional Limited Liability Company

Kenneth M. Parker, CPA, CGMA

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**Independent Auditor's Report
on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance
Required by OMB Circular A-133**

Superintendent and School Board
Hinds County School District

Report on Compliance for Each Major Federal Program

We have audited Hinds County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hinds County School District's major federal programs for the year ended June 30, 2013. Hinds County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hinds County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hinds County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hinds County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hinds County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

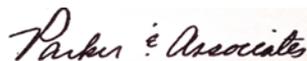
Management of Hinds County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hinds County School District's internal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

internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hinds County School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Parker & Associates, PLLC
November 14, 2014
Jackson, Mississippi

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



Kenneth M. Parker, CPA, CGMA

R. Phillip Parker, CPA, CGMA

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

Superintendent and School Board
Hinds County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinds County School District as of and for the year ended June 30, 2013, which collectively comprise Hinds County School District's basic financial statements and have issued our report thereon dated November 14, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$9,514 of classroom supply funds carried over from previous years.

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

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

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

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

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

Parker & Associates, PLLC
November 14, 2014
Jackson, Mississippi

HINDS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Noncompliance material to financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None reported |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Child Nutrition Cluster CFDA # 10.553; 10.555 | |
| c. | Title I Cluster CFDA # 84.010 | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No |

HINDS COUNTY SCHOOL DISTRICT

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.