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HINDS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

HINDS COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT.....1
 Independent Auditor’s Report on the Basic Financial Statements and Supplemental Information.....2

MANAGEMENT’S DISCUSSION AND ANALYSIS.....4

FINANCIAL STATEMENTS.....13
 Statement of Net Assets.....14
 Statement of Activities.....15
 Balance Sheet – Governmental Funds.....16
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....17
 Statement of Revenues, Expenditures and Changes in Fund Balances.....18
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities.....19
 Statement of Fiduciary Assets and Liabilities20
 Notes to the Financial Statements.....21

REQUIRED SUPPLEMENTAL INFORMATION.....42
 Budgetary Comparison Schedule – General Fund.....43
 Budgetary Comparison Schedule – Title I Basic Fund44
 Budgetary Comparison Schedule – EHA Part B Fund45
 Budgetary Comparison Schedule – Sixteenth Section Interest Fund.....46
 Notes to the Required Supplemental Information.....47

SUPPLEMENTAL INFORMATION.....48
 Schedule of Expenditures of Federal Awards.....49
 Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds.....50

OTHER SUPPLEMENTAL INFORMATION.....51
 Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last
 Four Years.....52
 Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental
 Funds, Last Four Years.....53

REPORTS ON INTERNAL CONTROL AND COMPLIANCE.....54
 Independent Auditor’s Report on Internal Control Over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of Financial Statements Performed
 in Accordance with *Government Auditing Standards*.....55

 Independent Auditor’s Report on Compliance with Requirements That Could Have a
 Direct and Material Effect on Each Major Federal Program and on Internal Control Over
 Compliance in Accordance with OMB Circular A-133.....57

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS....59

SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....63

AUDITEE’S CORRECTIVE ACTION PLAN AND / OR
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS..... 66

FINANCIAL AUDIT REPORT



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INDEPENDENT AUDITOR’S REPORT
ON
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Hinds County School District

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, 2011, which collectively comprise the Hinds County School District’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hinds County School District’s management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis and the Budgetary Comparison Schedule(s) and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hinds County School District’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
October 1, 2013

Watkins Ward and Stafford, PLLC

HINDS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$13,176,319, including a prior period adjustment of \$7,154,061, which represents a 42% increase from fiscal year 2010. The prior period adjustment was due primarily to the correction of prior year accumulated depreciation related to a change in acquisition dates and useful lives for various buildings and other assets. Total net assets for 2010 increased \$1,526,567, including a prior period adjustment of \$(5,118,436), which represents a 5% increase from fiscal year 2009.
- General revenues amounted to \$49,204,520 and \$51,356,263, or 85% and 85% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,586,272, or 15% of total revenues for 2011, and \$8,734,669, or 15% of total revenues for 2010.
- The District had \$51,768,534 and \$53,445,929 in expenses for fiscal years 2011 and 2010; only \$8,586,272 for 2011 and \$8,734,669 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$49,204,520 for 2011 and \$51,356,263 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$41,584,012 in revenues and \$38,073,121 in expenditures for 2011, and \$42,278,780 in revenues and \$38,838,878 in expenditures in 2010. The General Fund's fund balance increased by \$1,194,871, including a prior period adjustment of \$10,388, from 2010 to 2011, and increased by \$2,824,998, including a prior period adjustment of \$47,487, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$5,453,917 for 2011 and decreased by \$7,613,543 for 2010. The increase for 2011 was due primarily to the correction of prior year accumulated depreciation related to a change in acquisition dates and useful lives for various buildings and other assets.
- Long-term debt decreased by \$4,864,876 for 2011 and decreased by \$4,425,853 for 2010. The decrease for 2011 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$44,312 for 2011 and increased by \$20,220 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Assets presents information on all the District's non-fiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$44,434,227 as of June 30, 2011.

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 assets at June 30, 2011 and June 30, 2010.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 30,158,236	\$ 27,239,055	10.72 %
Other assets	149,655	172,148	(13.07) %
Restricted assets	568,892	567,013	0.33 %
Capital assets, net	60,211,522	54,757,605	9.96 %
Total assets	<u>91,088,305</u>	<u>82,735,821</u>	10.10 %
Current liabilities	932,416	885,382	5.31 %
Other liabilities	37,655	43,648	(13.73) %
Long-term debt outstanding	45,684,007	50,548,883	(9.62) %
Total liabilities	<u>46,654,078</u>	<u>51,477,913</u>	(9.37) %
Net assets:			
Invested in capital assets, net of related debt	18,086,867	7,885,957	129.36 %
Restricted	12,112,797	11,648,842	3.98 %
Unrestricted	14,234,563	11,723,109	21.42 %
Total net assets	<u>\$ 44,434,227</u>	<u>\$ 31,257,908</u>	42.15 %

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

- Increase in net capital assets in the amount of \$5,453,917.
- The principal retirement of \$4,909,188 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$57,790,792 and \$60,090,932, respectively. The total cost of all programs and services was \$51,768,534 for 2011 and \$53,445,929 for 2010.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,564,064	\$ 1,750,696	(10.66) %
Operating grants and contributions	7,022,208	6,983,973	0.55 %
General revenues:			
Property taxes	22,086,249	20,881,866	5.77 %
Grants and contributions not restricted	26,147,694	28,938,272	(9.64) %
Investment earnings	152,803	276,133	(44.66) %
Sixteenth section sources	573,999	869,351	(33.97) %
Other	243,775	390,641	(37.60) %
Total revenues	<u>57,790,792</u>	<u>60,090,932</u>	(3.83) %
Expenses:			
Instruction	26,302,449	28,580,935	(7.97) %
Support services	20,216,398	19,933,794	1.42 %
Non-instructional	3,271,793	2,969,273	10.19 %
Sixteenth section	113,808	62,379	82.45 %
Interest and other expenses on long-term liabilities	1,864,086	1,899,548	(1.87) %
Total expenses	<u>51,768,534</u>	<u>53,445,929</u>	(3.14) %
Increase (Decrease) in net assets	<u>6,022,258</u>	<u>6,645,003</u>	(9.37) %
Net Assets, July 1, as originally reported	<u>31,257,908</u>	<u>29,731,341</u>	5.13 %
Prior Period Adjustment	<u>7,154,061</u>	<u>(5,118,436)</u>	239.77 %
Net Assets, July 1, as restated	<u>38,411,969</u>	<u>24,612,905</u>	56.06 %
Net Assets, June 30	<u>\$ 44,434,227</u>	<u>\$ 31,257,908</u>	42.15 %

Governmental activities

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

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 26,302,449	\$ 28,580,935	(7.97) %
Support services	20,216,398	19,933,794	1.42 %
Non-instructional	3,271,793	2,969,273	10.19 %
Sixteenth section	113,808	62,379	82.45 %
Interest on long-term liabilities	1,864,086	1,899,548	(1.87) %
Total expenses	<u>\$ 51,768,534</u>	<u>\$ 53,445,929</u>	(3.14) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (23,535,023)	\$ (25,699,081)	(8.42) %
Support services	(17,887,713)	(17,508,179)	2.17 %
Non-instructional	183,330	374,914	(51.10) %
Sixteenth section	(78,770)	20,634	(481.75) %
Interest on long-term liabilities	(1,864,086)	(1,899,548)	(1.87) %
Total net (expense) revenue	<u>\$ (43,182,262)</u>	<u>\$ (44,711,260)</u>	(3.42) %

- Net cost of governmental activities (\$43,182,262 for 2011 and \$44,711,260 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$22,086,249 for 2011 and \$20,881,866 for 2010) and state and federal revenues (\$26,147,694 for 2011 and \$28,938,272 for 2010). In addition, there was \$573,999 and \$869,351 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$152,803 for 2011 and \$276,133 for 2010.

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 \$30,223,385, an increase of \$2,852,616, which includes a prior period adjustment of \$10,388 and an increase in reserve for inventory of \$23,608. \$12,531,004, or 41% 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 \$17,692,381, or 59% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,194,871, which includes a prior period adjustment of \$10,388. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,264,903, which includes an increase in reserve for inventory of \$23,608. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 462,219.00
Three Mill Note Retirement Fund	\$ (69,377.00)

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 supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$80,015,181, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$562,177 from 2010 due primarily to the disposal of twenty-one school buses during the fiscal year. An adjustment in the amount of \$7,143,673 was needed to correct the cost of furniture and equipment and to decrease prior year accumulated depreciation related to a change in acquisition dates and useful lives for various buildings and other assets. Total accumulated depreciation as of June 30, 2011, was \$19,803,659, and total depreciation expense for the year was \$1,827,428, resulting in total net capital assets of \$60,211,522.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 40,857	\$ 40,857	0.00 %
Construction in Progress	213,994	-	N/A %
Buildings	58,025,766	52,642,159	10.23 %
Improvements other than buildings	1,553,213	1,666,319	(6.79) %
Mobile equipment	129,817	152,124	(14.66) %
Furniture and equipment	247,875	256,146	(3.23) %
Total	\$ 60,211,522	\$ 54,757,605	9.96 %

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, 2011

Debt Administration. At June 30, 2011, the District had \$45,684,007 in outstanding long-term debt, of which \$5,056,799 is due within one year. During the fiscal year, the District made principal payments in the amount of \$4,909,188 on outstanding long-term debt. The liability for compensated absences increased \$44,312 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 26,352,000	\$ 29,848,000	(11.71) %
Limited obligation bonds payable	5,055,000	5,685,000	(11.08) %
Three mill notes payable	10,680,000	11,295,000	(5.44) %
Performance leases payable	3,328,509	3,496,697	(4.81) %
Compensated absences payable	268,498	224,186	19.77 %
Total	<u>\$ 45,684,007</u>	<u>\$ 50,548,883</u>	(9.62) %

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 Assets
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 17,713,956
Investments	9,798,618
Due from other governments	2,513,391
Other receivables, net	22,460
Inventories	109,811
Deferred debt issuance costs	149,655
Restricted assets	568,892
Capital assets, non-depreciable:	
Land	40,857
Construction in progress	213,994
Capital assets, net of accumulated depreciation:	
Buildings	58,025,766
Improvements other than buildings	1,553,213
Mobile equipment	129,817
Furniture and equipment	247,875
Total Assets	<u>91,088,305</u>
Liabilities	
Accounts payable and accrued liabilities	427,752
Due to other governments	2,367
Unearned revenue	73,624
Interest payable on long-term liabilities	428,673
Deferred charges on refunding debt	(18,470)
Deferred bond premiums	56,125
Long-term liabilities, due within one year:	
Capital related liabilities	4,857,000
Non-capital related liabilities	199,799
Long-term liabilities, due beyond one year:	
Capital related liabilities	37,230,000
Non-capital related liabilities	3,397,208
Total Liabilities	<u>46,654,078</u>
Net Assets	
Invested in capital assets, net of related debt	18,086,867
Restricted for:	
Expendable:	
School-based activities	8,990,555
Debt service	2,641,766
Forestry improvements	310,135
Unemployment benefits	61,289
Non-expendable:	
Sixteenth section	109,052
Unrestricted	14,234,563
Total Net Assets	<u>\$ 44,434,227</u>

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, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 26,302,449	579,994	2,187,432	-	\$ (23,535,023)
Support services	20,216,398	25,000	2,303,685	-	(17,887,713)
Non-instructional	3,271,793	924,032	2,531,091	-	183,330
Sixteenth section	113,808	35,038	-	-	(78,770)
Interest on long-term liabilities	1,864,086	-	-	-	(1,864,086)
Total Governmental Activities	\$ 51,768,534	1,564,064	7,022,208	-	\$ (43,182,262)

General Revenues:

Taxes:

General purpose levies	16,610,122
Debt purpose levies	5,476,127

Unrestricted grants and contributions:

State	24,205,945
Federal	1,941,749
Unrestricted investment earnings	152,803
Sixteenth section sources	573,999
Other	243,775

Total General Revenues 49,204,520

Change in Net Assets 6,022,258

Net Assets - Beginning, as originally reported 31,257,908
Prior Period Adjustments 7,154,061

Net Assets - Beginning, as restated 38,411,969

Net Assets - Ending \$ 44,434,227

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

HINDS COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Title I Basic Fund	EHA Part B Fund	Sixteenth Section Interest Fund	Three Mill Note Retirement Fund	Other Governmental Funds	Total Governmental Funds	
Assets								
Cash and cash equivalents	\$ 11,321,154	\$ -	\$ -	\$ 1,634,980	\$ 354	\$ 4,757,718	\$ 17,714,206	
Investments	3,867,677	-	-	3,697,583	155,695	2,646,305	10,367,260	
Due from other governments	641,518	245,327	213,112	-	645,636	703,424	2,449,017	
Other receivables, net	22,460	-	-	-	-	-	22,460	
Due from other funds	1,229,014	-	-	7,079	-	13,950	1,250,043	
Advance to other funds	1,058	-	-	-	-	-	1,058	
Inventories	-	-	-	-	-	109,811	109,811	
Total assets	<u>\$ 17,082,881</u>	<u>\$ 245,327</u>	<u>\$ 213,112</u>	<u>\$ 5,339,642</u>	<u>\$ 801,685</u>	<u>\$ 8,231,208</u>	<u>\$ 31,913,855</u>	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 206,984	\$ 40,996	\$ 2,453	-	-	\$ 177,319	\$ 427,752	
Due to other funds	23,396	204,331	210,659	-	621,020	129,688	1,189,094	
Unearned revenue	-	-	-	-	-	73,624	73,624	
Total Liabilities	<u>230,380</u>	<u>245,327</u>	<u>213,112</u>	<u>-</u>	<u>621,020</u>	<u>380,631</u>	<u>1,690,470</u>	
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	109,811	109,811	
Permanent fund principal	-	-	-	-	-	109,052	109,052	
Advances	1,058	-	-	-	-	-	1,058	
Restricted:								
Debt service	-	-	-	-	180,665	2,889,774	3,070,439	
Forestry improvement purposes	-	-	-	-	-	310,135	310,135	
Grant activities	-	-	-	-	-	3,541,102	3,541,102	
Unemployment benefits	-	-	-	-	-	61,289	61,289	
Sixteenth section	-	-	-	5,339,642	-	-	5,339,642	
Assigned:								
Improvement of facilities	4,083,133	-	-	-	-	626,551	4,709,684	
Activity funds	235,685	-	-	-	-	-	235,685	
Other purposes	1,621	-	-	-	-	202,863	204,484	
Total Fund Balances	<u>16,852,501</u>	<u>-</u>	<u>-</u>	<u>5,339,642</u>	<u>180,665</u>	<u>7,850,577</u>	<u>30,223,385</u>	
Total Liabilities and Fund Balances	<u>\$ 17,082,881</u>	<u>\$ 245,327</u>	<u>\$ 213,112</u>	<u>\$ 5,339,642</u>	<u>\$ 801,685</u>	<u>\$ 8,231,208</u>	<u>\$ 31,913,855</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 Assets
June 30, 2011**

Exhibit C-1

Total fund balances for governmental funds \$ 30,223,385

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

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

Land	\$	40,857	
Construction in progress		213,994	
Buildings		74,593,660	
Improvements other than buildings		2,857,017	
Mobile equipment		429,242	
Furniture and equipment		1,880,411	
Accumulated depreciation		(19,803,659)	
			60,211,522

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		(26,352,000)	
Limited obligation bonds		(5,055,000)	
Notes payable		(10,680,000)	
Performance lease obligations		(3,328,509)	
Compensated absences		(268,498)	
Unamortized charges		168,125	
Unamortized premiums		(56,125)	
Accrued interest payable		(428,673)	
			(46,000,680)

Net assets of governmental activities \$ 44,434,227

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, 2011**

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	Title I Basic Fund	EHA Part B Fund	Sixteenth Section Interest Fund	Three Mill Note Retirement Fund	Other Governmental Funds	
Revenues:							
Local sources	\$ 17,636,152	\$ -	\$ -	\$ -	\$ 1,219,825	\$ 5,122,762	\$ 23,978,739
Intermediate sources	-	-	-	-	-	32,093	32,093
State sources	23,620,986	-	-	-	-	1,188,059	24,809,045
Federal sources	326,874	1,445,286	1,128,190	-	-	5,460,507	8,360,857
Sixteenth section sources	-	-	-	575,322	-	34,736	610,058
Total Revenues	41,584,012	1,445,286	1,128,190	575,322	1,219,825	11,838,157	57,790,792
Expenditures:							
Instruction	19,944,127	545,891	598,970	-	-	3,597,429	24,686,417
Support services	17,791,470	715,490	529,220	-	-	1,096,672	20,132,852
Noninstructional services	-	15,789	-	-	-	3,061,535	3,077,324
Sixteenth section	-	-	-	113,103	-	705	113,808
Facilities acquisition and construction	-	-	-	-	-	213,994	213,994
Debt service:							
Principal	168,188	-	-	-	841,000	3,900,000	4,909,188
Interest	169,336	-	-	-	444,465	1,266,288	1,880,089
Other	-	-	-	-	3,737	7,663	11,400
Total Expenditures	38,073,121	1,277,170	1,128,190	113,103	1,289,202	13,144,286	55,025,072
Excess (Deficiency) of Revenues over (under) Expenditures	3,510,891	168,116	-	462,219	(69,377)	(1,306,129)	2,765,720
Other Financing Sources (Uses):							
Sale of transportation equipment	52,900	-	-	-	-	-	52,900
Operating transfers in	196,901	-	-	-	-	2,713,253	2,910,154
Operating transfers out	(2,576,209)	(168,116)	-	-	-	(165,829)	(2,910,154)
Total Other Financing Sources (Uses)	(2,326,408)	(168,116)	-	-	-	2,547,424	52,900
Net Change in Fund Balances	1,184,483	-	-	462,219	(69,377)	1,241,295	2,818,620
fund balances:							
July 1, 2010, as originally reported	15,657,630	-	-	4,877,423	250,042	6,585,674	27,370,769
Prior period adjustments	10,388	-	-	-	-	-	10,388
July 1, 2010, as restated	15,668,018	-	-	4,877,423	250,042	6,585,674	27,381,157
Increase (Decrease) in reserve for inventory	-	-	-	-	-	23,608	23,608
June 30, 2011	\$ 16,852,501	\$ -	\$ -	\$ 5,339,642	\$ 180,665	\$ 7,850,577	\$ 30,223,385

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, 2011**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 2,818,620

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	\$ 232,841	
Depreciation expense	(1,827,428)	(1,594,587)

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 assets differs from the change in fund balance by the cost of the assets sold.

(95,169)

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

Payments of debt principal	4,909,188	
Accrued interest payable	21,410	4,930,598

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	(44,312)	
Change in inventory reserve	23,608	
Amortization of deferred charges, premiums and discounts	(16,500)	(37,204)

Change in net assets of governmental activities \$ 6,022,258

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, 2011**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,287,166
Due from other funds	<u>2,367</u>
Total Assets	<u>\$ 2,289,533</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,149,218
Due to other funds	63,316
Advances from other funds	1,058
Due to student clubs	<u>75,941</u>
Total Liabilities	<u>\$ 2,289,533</u>

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as non-spendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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

C. Government-wide and Fund Financial Statements

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

The school district reports the following major governmental funds:

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

Title I Basic Fund - This special revenue fund accounts for federal sources received and expenditures incurred related to the District's Title I Program.

EHA Part B Fund - This special revenue fund accounts for federal sources received and expenditures incurred to assist the District in providing a free appropriate public education to all children with disabilities.

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.

Three Mill Note 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 three mill note.

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 serves 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 serves 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.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

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

E. Encumbrances

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

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

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.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization 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.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. 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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

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 \$17,714,206 and \$2,287,166, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$17,713,956 and a portion of restricted assets in the amount of \$250. The bank balance was \$25,616,227.

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, 2011, none of the district's bank balance of \$25,616,227 was exposed to custodial credit risk.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Investments

As of June 30, 2011, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
Federal US Treasury Cash Reserve	Not Rated	less than 1 year	\$ 15,620
Dreyfus Government Cash Management	Not Rated	less than 1 year	8,405,371
Taxable Bond Mutual Funds		less than 1 year	109,052
Mississippi Educational Investment Pool	Not Rated*	1 to 5 years	1,687,209
Treasury Securities		less than 1 year	150,008
Total			\$ 10,367,260

* The investments in the Mississippi Education Investment Pool are not SEC-registered, and there is no regulatory oversight for this Pool. The fair value of the position in the Pool is the same as the value of the respective Pool shares. The Mississippi Education Investment Pool B does not issue separate audited financial statements.

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2011, 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, 2011, 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	Title I Basic Fund	\$ 204,331
	EHA Part B Fund	210,659
	Three Mill Note Retirement Fund	621,020
	Other governmental funds	129,688
	Fiduciary funds	63,316
	Sixteenth Section Interest Fund	General Fund
Other governmental funds	General Fund	13,950
Fiduciary funds	General Fund	2,367
Total		\$ 1,252,410

The purpose of the inter-fund loans was primarily to cover deficit cash balances. Balances are expected to

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

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		<u>\$ 1,058</u>

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	\$ 2,576,209
Title I Basic Fund	General Fund	41,000
	Other governmental funds	127,116
Other governmental funds	General Fund	155,901
	Other governmental funds	9,928
Total		<u>\$ 2,910,154</u>

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

Note 4 – Restricted Assets

The restricted assets represent the investment balance totaling \$109,052 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 \$459,590, respectively, of the MAEP Limited Obligation Bond Funds.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 40,857				\$ 40,857
Construction in progress		213,994			213,994
Total non-depreciable capital assets	<u>40,857</u>	<u>213,994</u>	-	-	<u>254,851</u>
<u>Depreciable capital assets:</u>					
Buildings	74,593,660				74,593,660
Improvements other than buildings	2,857,017				2,857,017
Mobile equipment	1,259,434		830,192		429,242
Furniture and equipment	1,826,390	18,847		35,174	1,880,411
Total depreciable capital assets	<u>80,536,501</u>	<u>18,847</u>	<u>830,192</u>	<u>35,174</u>	<u>79,760,330</u>
<u>Less accumulated depreciation for:</u>					
Buildings	21,951,501	1,471,908		(6,855,515)	16,567,894
Improvements other than buildings	1,190,698	113,106			1,303,804
Mobile equipment	1,107,310	26,553	735,023	(99,415)	299,425
Furniture and equipment	1,570,244	215,861		(153,569)	1,632,536
Total accumulated depreciation	<u>25,819,753</u>	<u>1,827,428</u>	<u>735,023</u>	<u>(7,108,499)</u>	<u>19,803,659</u>
Total depreciable capital assets, net	<u>54,716,748</u>	<u>(1,808,581)</u>	<u>95,169</u>	<u>7,143,673</u>	<u>59,956,671</u>
Governmental activities capital assets, net	<u>\$ 54,757,605</u>	<u>\$ (1,594,587)</u>	<u>\$ 95,169</u>	<u>\$ 7,143,673</u>	<u>\$ 60,211,522</u>

Adjustments were needed to correct prior year accumulated depreciation for incorrect acquisition dates for various buildings and other assets in which the useful life or acquisition dates were incorrect when computing the depreciation in prior years.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,585,014
Support services	26,553
Non-instructional	215,861
Total depreciation expense	<u>\$ 1,827,428</u>

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Raymond Elementary Cafeteria	\$ 213,994	\$ 1,651,231
Total governmental activities	<u>213,994</u>	<u>1,651,231</u>

Construction projects included in governmental activities are funded with General Funds.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	\$ 29,848,000		\$ 3,496,000	\$ 26,352,000	\$ 3,577,000
B. Limited obligation bonds payable	5,685,000		630,000	5,055,000	650,000
C. Three mill notes payable	11,295,000		615,000	10,680,000	630,000
D. Performance leases payable	3,496,697		168,188	3,328,509	186,374
E. Compensated absences payable	224,186	44,312		268,498	13,425
Total	<u>\$ 50,548,883</u>	<u>\$ 44,312</u>	<u>\$ 4,909,188</u>	<u>\$ 45,684,007</u>	<u>\$ 5,056,799</u>

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	3.5-5.0%	3/15/2003	3/15/2018	\$ 21,000,000	\$ 15,485,000
2. General obligation bonds, Series 2004	2.75-3.0%	6/1/2004	6/1/2012	500,000	85,000
3. General obligation refunding bonds, Series 2004	2.25-4.0%	12/30/2004	12/1/2017	3,560,000	1,970,000
4. General obligation refunding bonds, Series 2004-B	2.35-3.5%	12/30/2004	1/1/2012	1,385,000	117,000
5. General obligation refunding bonds, Series 2008	2.4-3.5%	5/1/2008	5/1/2014	7,355,000	3,915,000
6. General obligation refunding bonds, Series 2010-A	2.0-3.375%	4/20/2010	4/1/2019	3,065,000	2,750,000
7. General obligation refunding bonds, Series 2010-C	2.0-3.0%	4/20/2010	4/1/2017	2,345,000	2,030,000
Total				<u>\$ 39,210,000</u>	<u>\$ 26,352,000</u>

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, 2011

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,175,000	\$ 650,025	\$ 1,825,025
2013	1,525,000	603,025	2,128,025
2014	1,610,000	542,025	2,152,025
2015	3,075,000	477,625	3,552,625
2016	3,400,000	351,550	3,751,550
2017 – 2018	4,700,000	268,750	4,968,750
Total	\$ 15,485,000	\$ 2,893,000	\$ 18,378,000

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

2. General obligation bond issue on June 1, 2004:

Year Ending June 30	Principal	Interest	Total
2012	\$ 85,000	\$ 2,550	\$ 87,550
Total	\$ 85,000	\$ 2,550	\$ 87,550

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 290,000	\$ 65,818	\$ 355,818
2013	305,000	55,768	360,768
2014	315,000	44,917	359,917
2015	325,000	33,555	358,555
2016	335,000	21,508	356,508
2017 – 2018	400,000	9,855	409,855
Total	\$ 1,970,000	\$ 231,421	\$ 2,201,421

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 117,000	\$ 2,048	\$ 119,048
Total	\$ 117,000	\$ 2,048	\$ 119,048

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, 2011

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,270,000	\$ 121,665	\$ 1,391,665
2013	1,305,000	84,835	1,389,835
2014	1,340,000	44,380	1,384,380
Total	\$ 3,915,000	\$ 250,880	\$ 4,165,880

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 320,000	\$ 75,138	\$ 395,138
2013	320,000	68,737	388,737
2014	330,000	62,338	392,338
2015	335,000	55,737	390,737
2016	345,000	45,688	390,688
2017 – 2019	1,100,000	72,850	1,172,850
Total	\$ 2,750,000	\$ 380,488	\$ 3,130,488

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 320,000	\$ 51,150	\$ 371,150
2013	320,000	44,750	364,750
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	\$ 2,030,000	\$ 198,300	\$ 2,228,300

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

Total general obligation bond payments for all issues:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Year Ending June 30	Principal	Interest	Total
2012	\$ 3,577,000	\$ 970,441	\$ 4,547,441
2013	3,775,000	857,115	4,632,115
2014	3,930,000	732,010	4,662,010
2015	4,075,000	598,567	4,673,567
2016	4,430,000	440,195	4,870,195
2017 – 2019	6,565,000	362,405	6,927,405
Total	\$ 26,352,000	\$ 3,960,733	\$ 30,312,733

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, 2011, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2010.

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	\$ 5,055,000
Total				\$ 6,945,000	\$ 5,055,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 650,000	\$ 181,459	\$ 831,459
2013	670,000	160,334	830,334
2014	690,000	137,889	827,889
2015	725,000	110,288	835,288
2016	745,000	84,914	829,914
2017 – 2018	1,575,000	88,094	1,663,094
Total	\$ 5,055,000	\$ 762,978	\$ 5,817,978

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. Code Ann. (1972). The state aid

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

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
1. Limited Tax Note, Series 2006	4.0-5.0%	11/30/2006	4/1/2026	\$ 9,750,000	\$ 9,260,000
2. Limited Tax Refunding Notes, Series 2010-B	2.0-3.0%	4/20/2010	3/1/2017	1,800,000	1,420,000
Total				\$ 11,550,000	\$ 10,680,000

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
2012	\$ 280,000	\$ 392,378	\$ 672,378
2013	265,000	379,779	644,779
2014	310,000	367,854	677,854
2015	390,000	352,354	742,354
2016	415,000	332,854	747,854
2017 – 2021	3,340,000	1,317,056	4,657,056
2022 – 2026	4,260,000	548,781	4,808,781
Total	\$ 9,260,000	\$ 3,691,056	\$ 12,951,056

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
2012	\$ 350,000	\$ 33,700	\$ 383,700
2013	285,000	26,700	311,700
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	\$ 1,420,000	\$ 111,550	\$ 1,531,550

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

Total three mill notes payable payments for all issues:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Year Ending June 30	Principal	Interest	Total
2012	\$ 630,000	\$ 426,078	\$ 1,056,078
2013	550,000	406,479	956,479
2014	565,000	388,854	953,854
2015	585,000	368,254	953,254
2016	610,000	342,904	952,904
2017 – 2021	3,480,000	1,321,256	4,801,256
2022 – 2026	4,260,000	548,781	4,808,781
Total	\$ 10,680,000	\$ 3,802,606	\$ 14,482,606

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	\$ 2,498,452
2. Performance Leasing 2008	4.95%	1/14/2008	5/14/2022	938,625	830,057
Total				\$ 3,761,700	\$ 3,328,509

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
2012	\$ 139,676	\$ 120,557	\$ 260,233
2013	154,230	113,317	267,547
2014	169,757	105,334	275,091
2015	186,314	96,560	282,874
2016	203,958	86,941	290,899
2017 – 2021	1,329,388	256,722	1,586,110
2022	315,129	8,032	323,161
Total	\$ 2,498,452	\$ 787,463	\$ 3,285,915

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, 2011

2. Performance lease issue on January 14, 2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 46,698	\$ 40,046	\$ 86,744
2013	51,557	37,625	89,182
2014	56,740	34,957	91,697
2015	62,267	32,024	94,291
2016	68,156	28,810	96,966
2017 – 2021	444,119	84,584	528,703
2022	100,520	2,459	102,979
Total	\$ 830,057	\$ 260,505	\$ 1,090,562

This debt will be retired from the District Maintenance Fund.

Total obligations under performance leases payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 186,374	\$ 160,603	\$ 346,977
2013	205,787	150,942	356,729
2014	226,497	140,291	366,788
2015	248,581	128,584	377,165
2016	272,114	115,751	387,865
2017 – 2021	1,773,507	341,306	2,114,813
2022	415,649	10,491	426,140
Total	\$ 3,328,509	\$ 1,047,968	\$ 4,376,477

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 fourteen (14) 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(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

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, 2011, amounted to \$157,632.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2012	\$ 157,632
2013	157,632
2014	151,920
2015	150,206
2016	33,844
Total	<u>\$ 651,234</u>

Note 8 – 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 for fiscal year ended June 30, 2011 was 12.00% 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, 2011, 2010 and 2009 were \$2,986,753, \$3,092,394 and \$3,075,990, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2012	\$ 170,223
2013	160,857
2014	159,797
2015	159,797
2016	159,797
2017 – 2021	798,985
2022 – 2026	738,985
2027 – 2031	723,985
2032 – 2036	723,985
Thereafter	699,735
Total	<u>\$ 4,496,146</u>

Note 10 – Prior Period Adjustments

A summary of significant net asset/fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To correctly record a prior year food service transfer and to correct old balances in payroll liability accounts in governmental funds	\$ 10,388
2. To correct prior year balances in accumulated depreciation as a result of incorrect acquisition dates, useful lives, etc. when computing depreciation in prior year	7,143,673
Total	<u>\$ 7,154,061</u>

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

Fund	Explanation	Amount
General Fund	To correctly record a prior year food service transfer and to correct old balances in payroll liability accounts	\$ 10,388
Total		<u>\$ 10,388</u>

Note 11 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

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 12 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 13 – 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 is 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, 2011

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2011

Revenues

Local sources:

Donations from private sources and other miscellaneous revenue	\$ -
Total local sources	-

Total Revenues	-
----------------	---

Expenditures

Salaries	459,018
Employee benefits	133,124
Purchased professional and technical services	25,670
Purchased property services	38,020
Other purchased services	1,220
Supplies	11,893
Property	212
Total Expenditures	669,157

Excess (Deficiency) of Revenues Over (Under) Expenditures	(669,157)
---	-----------

Other Financing Sources/Uses:

Transfers in	669,593
Total Other Financing Sources/Uses	669,593

Net Change in Fund Balance	436
----------------------------	-----

Fund Balance:

July 1, 2010	3
--------------	---

June 30, 2011	\$ 439
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Note 14 – 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 15 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Hinds County School District evaluated the activity of the district through October 1, 2013, (the date the financial statements were available to be issued), and determined that there were no subsequent events requiring disclosure in the notes to the financial statements.

HINDS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

HINDS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 17,115,729	\$ 16,391,141	\$ 17,636,152	\$ (724,588)	\$ 1,245,011
State sources	24,636,569	24,636,569	23,620,986	-	(1,015,583)
Federal sources	84,000	84,000	326,874	-	242,874
Total Revenues	41,836,298	41,111,710	41,584,012	(724,588)	472,302
Expenditures:					
Instruction	18,080,625	20,245,020	19,944,127	(2,164,395)	300,893
Support services	15,597,831	17,803,153	17,791,470	(2,205,322)	11,683
Facilities acquisition and construction	2,000	51,780	-	(49,780)	51,780
Debt service:					
Principal	-	168,188	168,188	(168,188)	-
Interest	-	169,336	169,336	(169,336)	-
Total Expenditures	33,680,456	38,437,477	38,073,121	(4,757,021)	364,356
Excess (Deficiency) of Revenues over (under) Expenditures	8,155,842	2,674,233	3,510,891	(5,481,609)	836,658
Other Financing Sources (Uses):					
Sale of transportation equipment	-	-	52,900	-	52,900
Operating transfers in	4,141,480	4,141,480	196,901	-	(3,944,579)
Operating transfers out	(5,080,653)	(6,902,366)	(2,576,209)	(1,821,713)	4,326,157
Total Other Financing Sources (Uses)	(939,173)	(2,760,886)	(2,326,408)	(1,821,713)	434,478
Net Change in Fund Balances	7,216,669	(86,653)	1,184,483	(7,303,322)	1,271,136
Fund Balances:					
July 1, 2010, as originally reported	15,712,820	15,712,820	15,657,630	-	(55,190)
Prior period adjustments	-	-	10,388	-	10,388
July 1, 2010, as restated	15,712,820	15,712,820	15,668,018	-	(44,802)
June 30, 2011	\$ 22,929,489	\$ 15,626,167	\$ 16,852,501	\$ (7,303,322)	\$ 1,226,334

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

HINDS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Basic Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,395,233	\$ 2,268,168	\$ 1,445,286	\$ 872,935	(822,882)
Total Revenues	1,395,233	2,268,168	1,445,286	872,935	(822,882)
Expenditures:					
Instruction	397,494	696,363	545,891	(298,869)	150,472
Support services	715,203	1,314,171	715,490	(598,968)	598,681
Noninstructional services	12,903	31,506	15,789	(18,603)	15,717
Total Expenditures	1,125,600	2,042,040	1,277,170	(916,440)	764,870
Excess (Deficiency) of Revenues over (under) Expenditures	269,633	226,128	168,116	(43,505)	(58,012)
Other Financing Sources (Uses):					
Operating transfers out	(193,194)	(226,128)	(168,116)	(32,934)	58,012
Total Other Financing Sources (Uses)	(193,194)	(226,128)	(168,116)	(32,934)	58,012
Net Change in Fund Balances	76,439	-	-	(76,439)	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ 76,439	\$ -	\$ -	(76,439)	\$ -

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

HINDS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EHA Part B Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,270,256	\$ 1,305,054	\$ 1,128,190	\$ 34,798	\$ (176,864)
Total Revenues	1,270,256	1,305,054	1,128,190	34,798	(176,864)
Expenditures:					
Instruction	640,450	659,561	598,970	(19,111)	60,591
Support services	338,837	653,163	529,220	(314,326)	123,943
Total Expenditures	979,287	1,312,724	1,128,190	(333,437)	184,534
Excess (Deficiency) of Revenues over (under) Expenditures	290,969	(7,670)	-	(298,639)	7,670
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	290,969	(7,670)	-	(298,639)	7,670
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ 290,969	\$ (7,670)	\$ -	\$ (298,639)	\$ 7,670

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

HINDS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 608,215	\$ 608,215	\$ 575,322	\$ -	\$ (32,893)
Total Revenues	608,215	608,215	575,322	-	(32,893)
Expenditures:					
Sixteenth section	94,941	165,513	113,103	(70,572)	52,410
Total Expenditures	94,941	165,513	113,103	(70,572)	52,410
Excess (Deficiency) of Revenues over (under) Expenditures	513,274	442,702	462,219	(70,572)	19,517
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(570)	-	(570)	570
Total Other Financing Sources (Uses)	-	(570)	-	(570)	570
Net Change in Fund Balances	513,274	442,132	462,219	(71,142)	20,087
Fund Balances:					
July 1, 2010	4,829,287	4,829,287	4,877,423	-	48,136
June 30, 2011	\$ 5,342,561	\$ 5,271,419	\$ 5,339,642	\$ (71,142)	\$ 68,223

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

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, 2011

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	\$ 637,186
National school lunch program	10.555	1,947,348
Total child nutrition cluster		<u>2,584,534</u>
Total passed-through Mississippi Department of Education		<u>2,584,534</u>
Total U.S. Department of Agriculture		<u>2,584,534</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	52,294
Total U.S. Department of Defense		<u>52,294</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	157,493
Total Federal Communications Commission		<u>157,493</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,461,875
ARRA - Title I grants to local educational agencies, recovery act	84.389	290,478
Total Title I cluster		<u>1,752,353</u>
Career and Technical Education - Basic Grants to States	84.048	9,039
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	13,115
Safe and drug-free schools and communities - state grants	84.186	9,880
Improving Teacher Quality State Grants	84.367	367,458
School Improvement Grants	84.377	1,705
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	1,601,760
Subtotal		<u>3,755,310</u>
Special education cluster:		
Special education - grants to states	84.027	1,128,190
ARRA - Special education - grants to states, recovery act	84.391	278,576
Special education - preschool grants	84.173	33,312
ARRA - Special education - preschool grants, recovery act	84.392	2,460
Total special education cluster		<u>1,442,538</u>
Total passed-through Mississippi Department of Education		<u>5,197,848</u>
Total U.S. Department of Education		<u>5,197,848</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	239,317
Total passed-through Mississippi Department of Education		<u>239,317</u>
Total U.S. Department of Health and Human Services		<u>239,317</u>
Total for All Federal Awards		<u>\$ 8,231,486</u>

NOTES TO SCHEDULE

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

HINDS COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 35,273,047	24,296,726	838,422	3,150,954	6,986,945
Other	<u>19,752,025</u>	<u>2,405,289</u>	<u>288,444</u>	<u>150,172</u>	<u>16,908,120</u>
Total	<u>\$ 55,025,072</u>	<u>26,702,015</u>	<u>1,126,866</u>	<u>3,301,126</u>	<u>23,895,065</u>
Total number of students*	<u>5,976</u>				
Cost per student	\$ <u>9,208</u>	<u>4,468</u>	<u>189</u>	<u>552</u>	<u>3,999</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 SUPPLEMENTAL INFORMATION

HINDS COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 17,636,152	16,060,673	15,821,398	14,972,908
State sources	23,620,986	26,050,891	28,630,780	27,697,611
Federal sources	326,874	167,216	27,716	72,312
Total Revenues	<u>41,584,012</u>	<u>42,278,780</u>	<u>44,479,894</u>	<u>42,742,831</u>
Expenditures:				
Instruction	19,944,127	21,123,592	23,489,124	21,596,557
Support services	17,791,470	17,387,013	19,151,544	20,773,456
Noninstructional services			380,310	
Debt service:				
Principal	168,188	151,073	113,930	
Interest	169,336	177,200	178,478	
Other			3,000	96,875
Total Expenditures	<u>38,073,121</u>	<u>38,838,878</u>	<u>43,316,386</u>	<u>42,466,888</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,510,891</u>	<u>3,439,902</u>	<u>1,163,508</u>	<u>275,943</u>
Other Financing Sources (Uses):				
Proceeds of loans				3,761,700
Insurance loss recoveries			2,921	
Sale of transportation equipment	52,900			
Operating transfers in	196,901	620,062	133,372	155,800
Operating transfers out	(2,576,209)	(1,282,453)	(2,058,242)	(2,872,628)
Total Other Financing Sources (Uses)	<u>(2,326,408)</u>	<u>(662,391)</u>	<u>(1,921,949)</u>	<u>1,044,872</u>
Net Change in Fund Balances	<u>1,184,483</u>	<u>2,777,511</u>	<u>(758,441)</u>	<u>1,320,815</u>
Fund Balances:				
Beginning of period, as originally reported	15,657,630	12,832,632	13,591,073	12,270,258
Prior period adjustments	10,388	47,487		
Beginning of period, as restated	<u>15,668,018</u>	<u>12,880,119</u>	<u>13,591,073</u>	<u>12,270,258</u>
End of Period	<u>\$ 16,852,501</u>	<u>15,657,630</u>	<u>12,832,632</u>	<u>13,591,073</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"

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 23,978,739	23,136,013	22,318,939	21,093,234
Intermediate sources	32,093	79,014	63,307	12,000
State sources	24,809,045	27,352,289	30,127,815	29,255,842
Federal sources	8,360,857	8,569,956	5,405,166	5,370,991
Sixteenth section sources	610,058	953,660	940,778	596,186
Total Revenues	<u>57,790,792</u>	<u>60,090,932</u>	<u>58,856,005</u>	<u>56,328,253</u>
Expenditures:				
Instruction	24,686,417	26,171,270	26,943,432	24,884,659
Support services	20,132,852	19,707,917	21,202,671	22,675,336
Noninstructional services	3,077,324	2,993,869	3,828,340	2,895,337
Sixteenth section	113,808	62,379	73,529	52,803
Facilities acquisition and construction	213,994		913,836	5,972,255
Debt service:				
Principal	4,909,188	4,591,073	4,272,930	3,272,000
Interest	1,880,089	2,207,458	2,005,334	2,800,123
Debt issuance costs	0	194,641		
Other	11,400	12,157	11,148	557,259
Total Expenditures	<u>55,025,072</u>	<u>55,940,764</u>	<u>59,251,220</u>	<u>63,109,772</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,765,720</u>	<u>4,150,168</u>	<u>(395,215)</u>	<u>(6,781,519)</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds/notes		7,210,000		14,300,000
Proceeds of loans				3,761,700
Sale of transportation equipment	52,900			
Premium on debt issuance		73,763		
Insurance loss recoveries			2,921	
Operating transfers in	2,910,154	2,051,759	2,346,486	3,158,050
Operating transfers out	(2,910,154)	(2,051,759)	(2,346,486)	(3,158,050)
Payment to refunded bond escrow agent		(7,089,122)		(14,065,000)
Total Other Financing Sources (Uses)	<u>52,900</u>	<u>194,641</u>	<u>2,921</u>	<u>3,996,700</u>
Net Change in Fund Balances	<u>2,818,620</u>	<u>4,344,809</u>	<u>(392,294)</u>	<u>(2,784,819)</u>
Fund Balances:				
Beginning of period, as originally reported	27,370,769	23,099,086	23,475,430	26,274,216
Prior period adjustments	10,388	(72,730)		
Beginning of period, as restated	<u>27,381,157</u>	<u>23,026,356</u>	<u>23,475,430</u>	<u>26,274,216</u>
Increase (Decrease) in reserve for inventory	<u>23,608</u>	<u>(396)</u>	<u>15,950</u>	<u>(13,967)</u>
End of Period	<u>\$ 30,223,385</u>	<u>27,370,769</u>	<u>23,099,086</u>	<u>23,475,430</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



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

Superintendent and School Board
Hinds County School District

We have audited 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, 2011, which collectively comprise Hinds County School District’s basic financial statements and have issued our report thereon dated October 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Hinds County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated October 1, 2013, which is included in this report.

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

Watkins Ward and Stafford, PLLC

Watkins, Ward, and Stafford, PLLC

October 1, 2013

Jackson, Mississippi



WATKINS, WARD AND STAFFORD

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Certified Public Accountants

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

Superintendent and School Board
Hinds County School District

Compliance

We have audited the compliance of the Hinds County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Hinds County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Hinds County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hinds County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding **2011-01**. 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.

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

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

Watkins, Ward, and Stafford, PLLC
October 1, 2013
Jackson, Mississippi

Watkins Ward and Stafford, PLLC

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



WATKINS, WARD AND STAFFORD

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**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, 2011, which collectively comprise Hinds County School District's basic financial statements and have issued our report thereon dated October 1, 2013. 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 \$238,618.54 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. The district should have the year-end financial statements available for audit on or before October 15, 2011.

Finding

Section 37-61-21(2), Miss. Code Ann. (1972), requires that Mississippi Public School Districts should have the year-end financial statements available for audit on or before October 15 of each year.

During our test work at Hinds County School District, we noted that the district did not have the GASB 34 statements completed at the beginning of test work on June 21, 2012. The district provided copies of the old fund financial A's and B's, but the auditor was not provided the GASB 34 financial statements until June 12, 2013. This noncompliance occurred because the district lacked proper training with respect to preparing the financial statements and performing the conversion process into modified accrual from cash.

Noncompliance with Section 37-61-21(2), Miss. Code Ann. (1972) could result in the district violating state laws regarding having year-end financial statements available for audit on or before October 15 of each year.

Recommendation

We recommend that the district comply with Section 37-61-21(2), Miss. Code Ann. (1972), which requires the district to have the year-end financial statements available for audit on or before October 15 of each year.

District's Response

While the District will still be in violation of this requirement for the year ended June 30, 2011, management has established a plan that will allow us to be in compliance with this requirement for the year ended June 30, 2012, and thereafter, by having year-end financial statements available for audit on or before October 15 of each year.

2. The district should properly account for shared revenues from timber sales.

Finding

Section 29-3-47, Miss. Code Ann. (1972), requires that the state forestry commission shall be entitled to receive its actual expenses incurred in the discharge of the duties herein imposed. In order to provide funds with which to pay for the general supervision and sale of forest products, fifteen percent (15%) of all receipts from the sales of forest products shall be placed by the board in a forestry escrow fund and reserved to pay for work performed by the state forestry commission. Such payments shall be equal to the actual expenses incurred by the commission as substantiated by itemized bills presented to the board.

During our test work at Hinds County School District, we noted that the district set aside the fifteen percent (15%) for all contract sales, but had not set aside the fifteen percent (15%) for stumpage sales of timber.

This noncompliance occurred because the district did not properly reserve funds from all timber sales.

Noncompliance with Section 29-3-47, Miss. Code Ann. (1972) could result in the district violating state laws regarding reservations of funds to pay for work perform by the state forestry commission.

Recommendation

We recommend that the district comply with Section 29-3-47, Miss. Code Ann. (1972), which requires the district to reserve fifteen percent (15%) of revenues of all timber sales.

District's Response

The District will implement a review of all timber sales and set aside the appropriate reserve of fifteen percent (15%) of revenues for all timber sales.

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

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

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

Watkins, Ward, and Stafford, PLLC

October 1, 2013

Jackson, Mississippi

Watkins Ward and Stafford, PLLC

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, 2011

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 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: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Special Education Cluster | |
| | CFDA # 84.027 | |
| | CFDA # 84.173 | |
| | CFDA # 84.391 | |
| | CFDA # 84.392 | |
| b. | Title I Cluster | |
| | CFDA # 84.010 | |
| | CFDA # 84.389 | |
| c. | State Fiscal Stabilization Fund – Education State Grants, Recovery Act | |
| | CFDA # 84.394 | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | Yes |

HINDS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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

Significant Deficiency Not Considered to be a Material Weakness in Internal Controls

2011-01 Finding

Program: ARRA IDEA Part B – CFDA # 84.391
Educational Technology State Grants – CFDA # 84.318

U.S. Department of Education; passed through the Mississippi Department of Education

Compliance requirement: Cash Management

During testing the auditor noted excessive cash balances within two federal reimbursable funds. The auditor also noted that at the end of the year the district had cash balances in two of the federal reimbursable funds.

The excessive cash balances were caused due to insufficient internal controls in cash management.

Inadequate controls related to estimates of expenditures can cause the district to request excessive funds and retain cash balances.

Recommendation:

The district should implement stronger internal controls to ensure that reimbursements are not requested until funds have been expended.

HINDS COUNTY SCHOOL DISTRICT

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

HINDS COUNTY SCHOOL DISTRICT
13192 Highway 18
Raymond, MS 39154
Stephen L. Handley, Superintendent
Earl Burke, Chief Financial Officer and Director of Business Services

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____.315(b) of OMB Circular A-133, the Hinds County School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2011:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Vickie Gates Title: Asst. Director of Business Services Phone number: 601-857-7075</p> <p>b. Corrective Action Planned:</p> <p>The District has modified its process for requesting funds related to federal reimbursable funds to only include actual amounts expended for reimbursable funds.</p> <p>The practice of including estimates of expenditures will be discontinued.</p> <p>The District's internal controls will test expenditure backup to insure compliance with appropriate cash management and elimination of retained cash balances.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2012</p>

HINDS COUNTY SCHOOL DISTRICT
13192 Highway 18
Raymond, MS 39154
Stephen L. Handley, Superintendent
Earl Burke, Chief Financial Officer and Director of Business Services

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section ____315(b) of OMB Circular A-133, the Hinds County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2011:

<u>Findings</u>	<u>Status</u>
2010-01	In progress see Finding 2011-01