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HINDS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2019

Charles L. Shivers, CPA, LLC
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Hinds County School District

Report on the Financial Statements

I 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, 2019, and the related notes to the financial statements, which collectively comprise the Hinds County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

My 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 22, 2020, on my consideration of the Hinds County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hinds County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hinds County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
September 22, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2019 increased \$2,389,141, including a prior period adjustment of \$32,643, which represents a 54% increase from fiscal year 2018. Total net position for 2018 decreased \$7,430,433, including a prior period adjustment of (\$4,337,470), which represents a 250% decrease from fiscal year 2017.
- General revenues amounted to \$54,409,191 and \$54,086,516, or 86% and 86% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,829,987, or 14% of total revenues for 2019, and \$9,036,720, or 14% of total revenues for 2018.
- The District had \$60,882,680 and \$66,216,199 in expenses for fiscal years 2019 and 2018; only \$8,829,987 for 2019 and \$9,036,720 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$54,409,191 for 2019 were adequate to provide for these programs. General revenues of \$54,086,516 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$49,966,586 in revenues and \$47,691,657 in expenditures for 2019, and \$48,959,757 in revenues and \$47,171,822 in expenditures in 2018. The General Fund's fund balance increased by \$1,216,240 from 2018 to 2019, including a prior period adjustment of \$56, and increased by \$6,839 from 2017 to 2018, including a prior period adjustment of \$38,190.
- Capital assets, net of accumulated depreciation, increased by \$2,935,594 for 2019 and increased by \$5,426,049 for 2018. The increase for 2019 was due primarily to the completion of buildings and improvements other than buildings during the fiscal year.
- Long-term debt, excluding bond premium, decreased by \$2,372,683 for 2019 and increased by \$56,417,950 for 2018. The decrease for 2019 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$130,043 for 2019 and decreased by \$17,174 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support

services, non-instructional, sixteenth section, pension expense, OPEB expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,069,040 as of June 30, 2019.

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

Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 22,959,631	\$ 27,658,678	(16.99) %
Restricted assets	65,025,127	65,116,792	(0.14) %
Capital assets, net	64,762,663	61,827,069	4.75 %
Total assets	152,747,421	154,602,539	(1.20) %
Deferred outflows of resources	4,461,516	7,311,045	(38.98) %
Current liabilities	2,387,070	4,619,000	(48.32) %
Long-term debt outstanding	80,768,017	83,338,447	(3.08) %
Net OPEB liability	3,952,490	4,229,623	(6.55) %
Net pension liability	66,289,874	70,086,224	(5.42) %
Total liabilities	153,397,451	162,273,294	(5.47) %
Deferred inflows of resources	5,880,526	4,098,471	43.48 %
Net position:			
Net investment in capital assets	43,865,768	41,743,070	5.09 %
Restricted	8,476,449	9,118,644	(7.04) %
Unrestricted	(54,411,257)	(55,319,895)	1.64 %
Total net position	\$ (2,069,040)	\$ (4,458,181)	53.59 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (54,411,257)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	71,850,822
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 17,439,565</u>

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

- Increase in net capital assets in the amount of \$2,935,594.
- The principal retirement of \$2,502,726 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$63,239,178 and \$63,123,236, respectively. The total cost of all programs and services was \$60,882,680 for 2019 and \$66,216,199 for 2018.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,449,646	\$ 1,316,745	10.09 %
Operating grants and contributions	7,380,341	7,719,975	(4.40) %
General revenues:			
Property taxes	25,853,382	26,494,712	(2.42) %
Grants and contributions not restricted	25,830,350	26,221,337	(1.49) %
Investment earnings	1,730,187	128,096	1,250.70 %
Sixteenth section sources	677,980	552,968	22.61 %
Other	317,292	689,403	(53.98) %
Total revenues	<u>63,239,178</u>	<u>63,123,236</u>	0.18 %
Expenses:			
Instruction	26,522,867	29,613,477	(10.44) %
Support services	23,694,344	22,954,437	3.22 %
Non-instructional	3,051,132	3,337,491	(8.58) %
Sixteenth section	63,181	83,455	(24.29) %
Pension expense	4,409,670	8,183,300	(46.11) %
OPEB expense	139,450	192,369	(27.51) %
Interest on long-term liabilities	3,002,036	1,851,670	62.13 %
Total expenses	<u>60,882,680</u>	<u>66,216,199</u>	(8.05) %
Increase (Decrease) in net position	<u>2,356,498</u>	<u>(3,092,963)</u>	176.19 %
Net Position, July 1, as previously reported	<u>(4,458,181)</u>	<u>2,972,252</u>	(249.99) %
Prior Period Adjustment	<u>32,643</u>	<u>(4,337,470)</u>	100.75 %
Net Position, July 1, as restated	<u>(4,425,538)</u>	<u>(1,365,218)</u>	(224.16) %
Net Position, June 30	<u>\$ (2,069,040)</u>	<u>\$ (4,458,181)</u>	53.59 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2019	2018	
Instruction	\$ 26,522,867	\$ 29,613,477	(10.44) %
Support services	23,694,344	22,954,437	3.22 %
Non-instructional	3,051,132	3,337,491	(8.58) %
Sixteenth section	63,181	83,455	(24.29) %
Pension Expense	4,409,670	8,183,300	(46.11) %
OPEB Expense	139,450	192,369	(27.51) %
Interest on long-term liabilities	3,002,036	1,851,670	62.13 %
Total expenses	\$ 60,882,680	\$ 66,216,199	(8.05) %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (23,342,204)	\$ (26,314,944)	11.30 %
Support services	(22,054,402)	(21,149,792)	(4.28) %
Non-instructional	914,616	584,307	56.53 %
Sixteenth section	(19,547)	(71,711)	72.74 %
Pension Expense	(4,409,670)	(8,183,300)	46.11 %
OPEB Expense	(139,450)	(192,369)	27.51 %
Interest on long-term liabilities	(3,002,036)	(1,851,670)	(62.13) %
Total net (expense) revenue	\$ (52,052,693)	\$ (57,179,479)	8.97 %

- Net cost of governmental activities (\$52,052,693 for 2019 and \$57,179,479 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$25,853,382 for 2019 and \$26,494,712 for 2018) and state and federal revenues (\$25,830,350 for 2019 and \$26,221,337 for 2018). In addition, there was \$677,980 and \$552,968 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$1,730,187 for 2019 and \$128,096 for 2018.

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 \$86,597,162, a decrease of \$2,549,936, which includes a prior period adjustment of \$32,643 and an increase in inventory of \$379. \$13,656,321, or 16% 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 \$72,940,841, or 84% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,216,240, which includes a prior period adjustment of \$56. The fund balance of Other Governmental Funds showed a decrease in the amount of \$631,979, which includes a prior period adjustment of \$77 and an increase in inventory of \$379. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Building Project 2018 Fund	\$ (3,134,197)

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.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$98,495,427, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$4,850,705 from 2018 due primarily to the continued construction and renovation of various school facilities. Total accumulated depreciation as of June 30, 2019, was \$33,732,764, and total depreciation expense for the year was \$2,011,533, resulting in total net capital assets of \$64,762,663.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2019	June 30, 2018	Percentage Change
Land	\$ 30,914	\$ 30,914	0.00 %
Construction in Progress	3,982,996	4,625,037	(13.88) %
Buildings	54,672,581	51,490,059	6.18 %
Building improvements	695,457	738,636	(5.85) %
Improvements other than buildings	5,125,689	4,551,341	12.62 %
Mobile equipment	211,574	307,193	(31.13) %
Furniture and equipment	43,452	83,889	(48.20) %
Total	\$ 64,762,663	\$ 61,827,069	4.75 %

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

Debt Administration. At June 30, 2019, the District had \$75,310,880 in outstanding long-term debt, of which \$2,227,377 is due within one year. During the fiscal year, the District made principal payments totaling \$2,502,726 on outstanding long-term debt. The liability for compensated absences increased \$130,043 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2019	June 30, 2018	Percentage Change
General obligation bonds payable	\$ 58,880,000	\$ 60,280,000	(2.32) %
Three mill notes payable	14,838,000	15,588,000	(4.81) %
Performance leases payable	1,215,370	1,568,096	(22.49) %
Compensated absences payable	377,510	247,467	52.55 %
Total	\$ 75,310,880	\$ 77,683,563	(3.05) %
Add: Bond premium	5,457,137	5,654,884	(3.50) %
Total	\$ 80,768,017	\$ 83,338,447	(3.08) %

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.

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BASIC FINANCIAL STATEMENTS

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HINDS COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,765,762
Investments	10,246,865
Due from other governments	1,797,375
Other receivables, net	65,232
Inventories	84,397
Restricted assets (Note 4)	65,025,127
Non-depreciable capital assets (Note 5)	4,013,910
Depreciable capital assets, net (Note 5)	60,748,753
Total Assets	152,747,421
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	4,099,623
Deferred outflow - OPEB (Note 8)	172,445
Deferred outflow - advance refunding on bonds	189,448
Total Deferred Outflows of Resources	4,461,516
Liabilities	
Accounts payable and accrued liabilities	1,387,322
Interest payable on long-term liabilities	999,474
Other payables	274
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	1,825,000
Non-capital related liabilities	402,377
Net OPEB liability (Note 8)	167,243
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	71,893,000
Capital related bond premiums	5,457,137
Non-capital related liabilities	1,190,503
Net pension liability (Note 7)	66,289,874
Net OPEB liability (Note 8)	3,785,247
Total Liabilities	153,397,451
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	5,320,703
Deferred inflows - OPEB (Note 8)	559,823
Total Deferred Inflows of Resources	5,880,526
Net Position	
Net investment in capital assets	43,865,768
Restricted net position	
Expendable	
School-based activities	5,974,418
Debt service	1,399,530
Forestry improvements	638,862
Unemployment benefits	345,813
Non-expendable	
Sixteenth section	117,826
Unrestricted	(54,411,257)
Total Net Position	\$ (2,069,040)

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, 2019

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 26,522,867	710,563	2,470,100	(23,342,204)
Support services	23,694,344		1,639,942	(22,054,402)
Non-instructional	3,051,132	695,449	3,270,299	914,616
Sixteenth section	63,181	43,634		(19,547)
Pension expense	4,409,670			(4,409,670)
OPEB expense	139,450			(139,450)
Interest on long-term liabilities	3,002,036			(3,002,036)
Total Governmental Activities	<u>60,882,680</u>	<u>1,449,646</u>	<u>7,380,341</u>	<u>(52,052,693)</u>
General Revenues				
Taxes				
General purpose levies				21,664,749
Debt purpose levies				4,188,633
Unrestricted grants and contributions				
State				25,694,024
Federal				136,326
Unrestricted investment earnings				1,730,187
Sixteenth section sources				677,980
Other				317,292
Total General Revenues				<u>54,409,191</u>
Changes in Net Position				<u>2,356,498</u>
Net Position - Beginning, as previously reported				(4,458,181)
Prior Period Adjustments (Note 10)				32,643
Net Position - Beginning - as restated				<u>(4,425,538)</u>
Net Position - Ending				<u>\$ (2,069,040)</u>

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

HINDS COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

Exhibit C

	Major Funds			
	General Fund	Building Project 2018 Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 2)	\$ 10,765,762	657,206	5,362,770	16,785,738
Cash with fiscal agent (Note 2)			117,826	117,826
Investments (Note 2)	10,246,865	58,008,510	878,815	69,134,190
Due from other governments	519,566		1,170,687	1,690,253
Other receivables, net		65,232		65,232
Due from other funds (Note 3)	1,082,641		3,000,000	4,082,641
Advances to other funds (Note 3)	1,058			1,058
Inventories			84,397	84,397
Total Assets	22,615,892	58,730,948	10,614,495	91,961,335
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	582,389	645,622	159,311	1,387,322
Due to other funds (Note 3)	3,000,000		976,577	3,976,577
Other payables			274	274
Total Liabilities	3,582,389	645,622	1,136,162	5,364,173
Fund Balances				
Nonspendable				
Inventory			84,397	84,397
Permanent fund principal			117,826	117,826
Advances	1,058			1,058
Restricted				
Debt service			2,399,004	2,399,004
Capital projects		58,085,326	3,468	58,088,794
Forestry improvements			638,862	638,862
Unemployment benefits			345,813	345,813
Grant activities			5,888,963	5,888,963
Assigned				
Facility improvements	5,066,653			5,066,653
School activities	309,471			309,471
Unassigned	13,656,321			13,656,321
Total Fund Balances	19,033,503	58,085,326	9,478,333	86,597,162
Total Liabilities and Fund Balances	\$ 22,615,892	58,730,948	10,614,495	91,961,335

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

HINDS COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 86,597,162

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

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

Land	30,914	
Construction in progress	3,982,996	
Buildings	83,165,378	
Building Improvements	1,079,460	
Improvement other than buildings	7,393,671	
Mobile equipment	597,415	
Furniture and equipment	2,245,593	
Accumulated depreciation	<u>(33,732,764)</u>	64,762,663

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

Net pension liability	(66,289,874)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	4,099,623	
Deferred inflows of resources related to pensions	<u>(5,320,703)</u>	(1,221,080)

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

Net OPEB liability	(3,952,490)
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	172,445	
Deferred inflows of resources related to OPEB	<u>(559,823)</u>	(387,378)

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	(58,880,000)	
Notes payable	(14,838,000)	
Performance lease payable	(1,215,370)	
Compensated absences	(377,510)	
Unamortized charges	189,448	
Unamortized premiums	(5,457,137)	
Accrued interest payable	<u>(999,474)</u>	(81,578,043)

Total Net Position - Governmental Activities	<u>\$ (2,069,040)</u>
--	-----------------------

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

HINDS COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	Major Funds			
	General Fund	Building Project 2018 Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 22,980,127	1,156,150	4,884,369	29,020,646
State sources	25,880,157		428,569	26,308,726
Federal sources	155,918		6,746,049	6,901,967
Sixteenth section sources	950,384		57,455	1,007,839
Total Revenues	49,966,586	1,156,150	12,116,442	63,239,178
Expenditures				
Instruction	24,240,758	259,427	2,442,781	26,942,966
Support services	22,965,322	116,888	1,656,520	24,738,730
Noninstructional services			3,426,362	3,426,362
Sixteenth section	63,120		61	63,181
Facilities acquisition and construction		3,946,542	1,041,720	4,988,262
Debt service				
Principal (Note 6)	352,726		2,150,000	2,502,726
Interest	69,731		3,086,590	3,156,321
Other			6,800	6,800
Total Expenditures	47,691,657	4,322,857	13,810,834	65,825,348
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,274,929	(3,166,707)	(1,694,392)	(2,586,170)
Other Financing Sources (Uses)				
Sale of transportation equipment	1,872			1,872
Sale of other property	1,340			1,340
Operating transfers in (Note 3)	589,999		1,660,767	2,250,766
Operating transfers out (Note 3)	(1,651,956)		(598,810)	(2,250,766)
Total Other Financing Sources (Uses)	(1,058,745)	0	1,061,957	3,212
Net Change in Fund Balances	1,216,184	(3,166,707)	(632,435)	(2,582,958)
Fund Balances				
July 1, 2018, as previously reported	17,817,263	61,219,523	10,110,312	89,147,098
Prior period adjustments (Note 10)	56	32,510	77	32,643
July 1, 2018, as restated	17,817,319	61,252,033	10,110,389	89,179,741
Increase in reserve for inventory			379	379
June 30, 2019	\$ 19,033,503	58,085,326	9,478,333	86,597,162

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

HINDS COUNTY SCHOOL DISTRICT

Exhibit D-1

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, 2019

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds		\$ (2,582,958)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	4,988,262	
Depreciation expense	<u>(2,011,533)</u>	2,976,729
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		(41,135)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	2,502,726	
Accrued interest payable	<u>(8,846)</u>	2,493,880
Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense	(4,409,670)	
Contributions made subsequent to the measurement date	<u>3,854,438</u>	(555,232)
Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
OPEB expense	(139,450)	
Contributions made subsequent to the measurement date	<u>164,397</u>	24,947
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 the governmental funds. These activities include:		
Change in compensated absences	(130,043)	
Change in inventory reserve	379	
Amortization of deferred charges, premiums and discounts	<u>169,931</u>	40,267
Changes in Net Position of Governmental Activities		<u>\$ 2,356,498</u>

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

HINDS COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2019

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 2,481,203</u>
Total Assets	<u><u>2,481,203</u></u>
Liabilities	
Accounts payable and accrued liabilities	2,281,520
Due to other funds (Note 3)	106,064
Due to student clubs	92,561
Advances from other funds (Note 3)	<u>1,058</u>
Total Liabilities	<u><u>\$ 2,481,203</u></u>

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

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HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or 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:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

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.

Building Project 2018 Fund - This is a capital projects fund that accounts for proceeds from the issuance of general obligation bonds and expenditures incurred related to the construction and/or renovation of various school facilities.

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

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has incurred deferred outflows which are presented as deferred outflows from advance refunding of debt, deferred outflows related to pensions, and deferred outflows related to OPEB. See Note 14 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has incurred deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB. See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT
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It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$16,785,738 and \$2,481,203, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$10,765,762 and a portion of restricted assets in the amount of \$6,019,976 (see Note 4). The bank balance was \$19,142,513.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$19,142,513 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$117,826.

Investments

As of June 30, 2019, the district had the following investments.

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Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Investment Bonds/Securities	Various	1 to 30 years	\$ 11,125,680
Money Market Funds	N/A	N/A	43,340,377
Investment Sweep Account	N/A	N/A	14,668,133
Total			<u>\$ 69,134,190</u>

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

The district has the following recurring fair value measurements as of June 30, 2019:

- Fidelity Investment Bonds/Securities of \$11,125,680 are valued using quoted market prices (Level 1 inputs)
- Money Market Funds of \$43,340,377 are valued using quoted market prices (Level 1 inputs)
- Investment Sweep Account of \$14,668,133 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2019, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 976,577
	Fiduciary funds	106,064
Other governmental funds	General Fund	3,000,000
Total		<u>\$ 4,082,641</u>

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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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	\$ 1,651,956
Other governmental funds	General Fund	589,999
	Other governmental funds	8,811
Total		<u>\$ 2,250,766</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, transfer of general funds to fund various capital projects, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets of \$65,025,127 represent the cash, cash with fiscal agent, and investment balances of \$6,019,976, \$117,826, and \$58,887,325, respectively, of various funds whose resources are legally restricted and may not be used for purposes that support the district's programs. This includes the 16th Section Principal Fund, Capital Project Funds, Debt Service Funds, and other state and federally funded programs of the district within the Other Governmental Funds.

Note 5 – Capital Assets

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

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	Balance 7/1/2018	Increases	Decreases	Completed Construction	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 30,914	\$	\$	\$	\$ 30,914
Construction-in-progress	4,625,037	4,988,262		(5,630,303)	3,982,996
Total non-depreciable capital assets	4,655,951	4,988,262	0	(5,630,303)	4,013,910
<u>Depreciable capital assets:</u>					
Buildings	78,360,600			4,804,778	83,165,378
Building improvements	1,079,460				1,079,460
Improvements other than buildings	6,568,146			825,525	7,393,671
Mobile equipment	734,972		137,557		597,415
Furniture and equipment	2,245,593				2,245,593
Total depreciable capital assets	88,988,771	0	137,557	5,630,303	94,481,517
<u>Less accumulated depreciation for:</u>					
Buildings	26,870,541	1,622,256			28,492,797
Building improvements	340,824	43,179			384,003
Improvements other than buildings	2,016,805	251,177			2,267,982
Mobile equipment	427,779	54,484	96,422		385,841
Furniture and equipment	2,161,704	40,437			2,202,141
Total accumulated depreciation	31,817,653	2,011,533	96,422	0	33,732,764
Total depreciable capital assets, net	57,171,118	(2,011,533)	41,135	5,630,303	60,748,753
Governmental activities capital assets, net	\$ 61,827,069	\$ 2,976,729	\$ 41,135	\$ 0	\$ 64,762,663

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,916,612
Support services	82,610
Non-instructional	12,311
Total depreciation expense - Governmental activities	<u>\$ 2,011,533</u>

The details of construction-in-progress are as follows:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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	Spent to June 30, 2019	Remaining Commitment
Governmental Activities:		
Beems Fieldhouse	\$ 247,036	\$ 611,337
RES Gym/Classroom Building	187,466	0
RHS Gymnasium/Performing Arts	746,836	0
RHS/HCSO Vocational Roofing	746,037	483,548
THS 9th Grade/Classroom Additions	64,426	0
THS Gym	862,671	0
UEMS Fieldhouse	141,426	722,125
RHS Hitting Facility	251,383	142,307
THS Hitting Facility	322,017	106,659
THS Roof Replacement	383,344	203,841
BMS Roofing	9,754	0
GRE Gymnasium	9,850	0
GRI Gymnasium	10,750	0
Total construction in progress	<u>\$ 3,982,996</u>	<u>\$ 2,269,817</u>

The remaining commitment for various projects could not be determined as of June 30, 2019, because contracts had not been approved.

Construction projects included in governmental activities are funded with proceeds of general obligation bonds and general funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. General obligation bonds payable	\$ 60,280,000	\$	\$ 1,400,000	\$ 58,880,000	\$ 1,060,000
B. Three mill notes payable	15,588,000		750,000	14,838,000	765,000
C. Performance leases payable	1,568,096		352,726	1,215,370	383,501
D. Compensated absences payable	247,467	130,043		377,510	18,876
Total	\$ 77,683,563	\$ 130,043	\$ 2,502,726	\$ 75,310,880	\$ 2,227,377
Add: Bond Premium	5,654,884		197,747	5,457,137	
Total	\$ 83,338,447	\$ 130,043	\$ 2,700,473	\$ 80,768,017	

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:

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2010-A	2.0-3.375%	4/20/2010	4/1/2019	\$ 3,065,000	0
2. General obligation bonds, Series 2018	3.375-5.0%	3/7/2018	3/1/2048	59,900,000	58,880,000
Total				<u>\$ 62,965,000</u>	<u>\$ 58,880,000</u>

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

- General obligation refunding bonds issued on April 20, 2010 were fully retired during the fiscal year from the GO Bond Issue Retirement Fund.
- General obligation bonds issued on March 7, 2018:

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,060,000	\$ 2,662,919	\$ 3,722,919
2021	1,100,000	2,620,519	3,720,519
2022	1,145,000	2,576,519	3,721,519
2023	1,195,000	2,530,719	3,725,719
2024	1,245,000	2,482,919	3,727,919
2025 – 2029	7,020,000	11,626,593	18,646,593
2030 – 2034	8,605,000	10,085,094	18,690,094
2035 – 2039	10,685,000	8,033,481	18,718,481
2040 – 2044	13,405,000	5,432,500	18,837,500
2045 – 2048	13,420,000	1,719,250	15,139,250
Total	<u>\$ 58,880,000</u>	<u>\$ 49,770,513</u>	<u>\$ 108,650,513</u>

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

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, 2019, the amount of outstanding bonded indebtedness was equal to 13% of property assessments as of October 1, 2018.

B. Three mill notes payable

Debt currently outstanding is as follows:

HINDS COUNTY SCHOOL DISTRICT
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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax refunding notes, Series 2015	2.0-3.0%	4/15/2015	4/1/2026	\$ 7,875,000	\$ 5,740,000
2. Limited tax notes, Series 2015B	2.95%	10/15/2015	4/1/2028	1,848,000	1,848,000
3. Limited tax notes, Series 2016	2.5-3.1%	9/28/2016	4/1/2035	7,250,000	7,250,000
Total				<u>\$ 16,973,000</u>	<u>\$ 14,838,000</u>

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

1. Limited tax refunding notes issued on April 15, 2015:

Year Ending June 30	Principal	Interest	Total
2020	\$ 765,000	\$ 148,750	\$ 913,750
2021	785,000	133,450	918,450
2022	795,000	117,750	912,750
2023	810,000	101,850	911,850
2024	835,000	77,550	912,550
2025 – 2026	1,750,000	79,200	1,829,200
Total	<u>\$ 5,740,000</u>	<u>\$ 658,550</u>	<u>\$ 6,398,550</u>

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

2. Limited tax notes issued on October 15, 2015:

Year Ending June 30	Principal	Interest	Total
2020	\$ 0	\$ 54,516	\$ 54,516
2021	0	54,516	54,516
2022	0	54,516	54,516
2023	0	54,516	54,516
2024	0	54,516	54,516
2025 – 2028	1,848,000	191,160	2,039,160
Total	<u>\$ 1,848,000</u>	<u>\$ 463,740</u>	<u>\$ 2,311,740</u>

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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3. Limited tax notes issued on September 28, 2016:

Year Ending June 30	Principal	Interest	Total
2020	\$ 0	\$ 203,789	\$ 203,789
2021	0	203,789	203,789
2022	0	203,789	203,789
2023	0	203,789	203,789
2024	0	203,789	203,789
2025 – 2029	956,000	1,018,945	1,974,945
2030 – 2034	5,169,000	627,663	5,796,663
2035	1,125,000	34,875	1,159,875
Total	\$ 7,250,000	\$ 2,700,428	\$ 9,950,428

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 765,000	\$ 407,055	\$ 1,172,055
2021	785,000	391,755	1,176,755
2022	795,000	376,055	1,171,055
2023	810,000	360,155	1,170,155
2024	835,000	335,855	1,170,855
2025 – 2029	4,554,000	1,289,305	5,843,305
2030 – 2034	5,169,000	627,663	5,796,663
2035	1,125,000	34,875	1,159,875
Total	\$ 14,838,000	\$ 3,822,718	\$ 18,660,718

C. 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	\$ 914,601
2. Performance Leasing 2008	4.95%	1/14/2008	5/14/2022	938,625	300,769
Total				\$ 3,761,700	\$ 1,215,370

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

HINDS COUNTY SCHOOL DISTRICT
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1. Performance lease issued on December 27, 2007:

Year Ending June 30	Principal	Interest	Total
2020	\$ 287,470	\$ 38,842	\$ 326,312
2021	312,002	24,062	336,064
2022	315,129	8,032	323,161
Total	<u>\$ 914,601</u>	<u>\$ 70,936</u>	<u>\$ 985,537</u>

This debt will be retired from the District Maintenance Fund.

2. Performance lease issued on January 14, 2008:

Year Ending June 30	Principal	Interest	Total
2020	\$ 96,031	\$ 12,740	\$ 108,771
2021	104,219	7,802	112,021
2022	100,519	2,459	102,978
Total	<u>\$ 300,769</u>	<u>\$ 23,001</u>	<u>\$ 323,770</u>

This debt will be retired from the District Maintenance Fund.

Total performance leases payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 383,501	\$ 51,582	\$ 435,083
2021	416,221	31,864	448,085
2022	415,648	10,491	426,139
Total	<u>\$ 1,215,370</u>	<u>\$ 93,937</u>	<u>\$ 1,309,307</u>

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

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

The district entered into this energy efficiency lease agreement 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.

D. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by

HINDS COUNTY SCHOOL DISTRICT
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Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$3,854,438, \$4,008,519 and \$4,259,847, respectively, which equaled the required contributions for each year.

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

At June 30, 2019, the school district reported a liability of \$66,289,874 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.398545 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.023067 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$4,409,670. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 216,095	\$ 979,868
Net difference between projected and actual earnings on pension plan investments		223,555
Changes of assumptions	29,090	27,223
Changes in proportion and differences between District contributions and proportionate share of contributions		4,090,057
District contributions subsequent to the measurement date	3,854,438	
Total	<u>\$ 4,099,623</u>	<u>\$ 5,320,703</u>

\$3,854,438 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	\$ (1,967,831)
2021	(1,967,831)
2022	(1,083,967)
2023	(55,889)

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 87,284,743	\$ 66,289,874	\$ 48,840,367

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$164,397 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$3,952,490 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was 0.51095470 percent. This was a decrease of 0.02811933 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$139,450. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,048	\$
Changes of assumptions		281,623
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		278,200
District contributions subsequent to the measurement date	164,397	
Total	\$ 172,445	\$ 559,823

\$164,397 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2019

Year Ending June 30:	
2020	\$ (109,102)
2021	(109,102)
2022	(109,102)
2023	(109,102)
2024	(93,084)
Thereafter	(22,283)

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an ultimate
Pre-Medicare	rate of 4.75% by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 4,381,237	\$ 3,952,490	\$ 3,583,755

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 3,661,312	\$ 3,952,490	\$ 4,283,185

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

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2020	\$ 446,524
2021	385,173
2022	353,186
2023	302,679
2024	237,261
2025 – 2029	1,033,129
2030 – 2034	953,100
2035 – 2039	801,692
2040 – 2044	609,919
Thereafter	728,352
Total	<u>\$ 5,851,015</u>

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To correct prior year revenues/expenditures at the governmental fund level	\$ 32,643
Total	<u>\$ 32,643</u>

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

Fund	Explanation	Amount
General Fund	To correct prior year revenues/expenditures	\$ 56
Building Project 2018 Fund	To correct prior year revenues/expenditures	32,510
Other governmental funds	To correct prior year revenues/expenditures	77
Total		<u>\$ 32,643</u>

Note 11 – Contingencies

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

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

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 – 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.

Hinds Community College has been designated as the fiscal agent for the Hinds County Schools Vocational Technical Center,

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2019

and the operations of the center are included in its financial statements.

Note 14 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$43,865,768 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and deferred bond premiums. The \$189,448 balance of deferred outflow of resources at June 30, 2019, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 7 years. The \$5,457,137 balance of the deferred bond premiums at June 30, 2019, will be recognized as a decrease in an expense and will increase the net investment in capital assets net position over the next 29 years.

The unrestricted net position amount of (\$54,411,257) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$3,854,438 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$245,185 balance of deferred outflow of resources related to pensions at June 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$54,411,257) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$5,320,703 balance of deferred inflow of resources related to pensions at June 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$54,411,257) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$164,397 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$8,048 balance of deferred outflow of resources related to OPEB at June 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$54,411,257) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$559,823 balance of deferred inflow of resources related to OPEB at June 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 15 – State Compliance Testing

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

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through September 22, 2020 (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On March 16, 2020 Governor Tate Reeves declared that all academic programs of all Mississippi public school districts be closed until further notice due to the global pandemic caused by the COVID-19 virus. Subsequently, on April 22, 2020, the Governor signed an executive order implementing school closures for the rest of the academic year to slow the spread of COVID-19. The financial impact to the school district due to the Governor's recommended citizen shelter in place and the required closure of certain businesses is expected to be minimal for the fiscal year ending June 30, 2020. However, the financial impact to the 2020-2021 fiscal year has not been determined as of the date of this report.

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REQUIRED SUPPLEMENTARY INFORMATION

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HINDS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 22,142,138	22,141,583	22,980,127	(555)	838,544
State sources	26,329,849	26,329,849	25,880,157	0	(449,692)
Federal sources	227,000	227,000	155,918	0	(71,082)
Sixteenth section sources	596,100	586,100	950,384	(10,000)	364,284
Total Revenues	<u>49,295,087</u>	<u>49,284,532</u>	<u>49,966,586</u>	<u>(10,555)</u>	<u>682,054</u>
Expenditures					
Instruction	17,817,762	24,619,962	24,240,758	(6,802,200)	379,204
Support services	24,569,709	22,932,490	22,965,322	1,637,219	(32,832)
Sixteenth section	114,600	63,120	63,120	51,480	0
Facilities acquisition and construction	0	45,776	0	(45,776)	45,776
Debt service					
Principal	410,286	423,484	352,726	(13,198)	70,758
Interest	0	0	69,731	0	(69,731)
Total Expenditures	<u>42,912,357</u>	<u>48,084,832</u>	<u>47,691,657</u>	<u>(5,172,475)</u>	<u>393,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,382,730</u>	<u>1,199,700</u>	<u>2,274,929</u>	<u>(5,183,030)</u>	<u>1,075,229</u>
Other Financing Sources (Uses)					
Sale of transportation equipment	0	0	1,872	0	1,872
Sale of other property	0	0	1,340	0	1,340
Operating transfers in	3,987,908	3,874,069	589,999	(113,839)	(3,284,070)
Operating transfers out	(4,692,665)	(8,403,232)	(1,651,956)	(3,710,567)	6,751,276
Total Other Financing Sources (Uses)	<u>(704,757)</u>	<u>(4,529,163)</u>	<u>(1,058,745)</u>	<u>(3,824,406)</u>	<u>3,470,418</u>
Net Change in Fund Balances			<u>1,216,184</u>		
Fund Balances					
July 1, 2018, as previously reported			17,817,263		
Prior period adjustments			56		
July 1, 2018, as restated			<u>17,817,319</u>		
June 30, 2019			<u>\$ 19,033,503</u>		

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

HINDS COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.398545%	0.421612%	0.432803%	0.447344%	0.437787%
District's proportionate share of the net pension liability	\$ 66,289,874	70,086,224	77,309,423	69,150,561	53,139,326
District's covered payroll	\$ 25,450,914	27,046,648	27,687,435	27,947,492	26,751,029
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

HINDS COUNTY SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,854,438	4,008,519	4,259,847	4,360,771	4,401,730
Contributions in relation to the contractually required contribution	3,854,438	4,008,519	4,259,847	4,360,771	4,401,730
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 24,472,622	25,450,914	27,046,648	27,687,435	27,947,492
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

HINDS COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years

	2019	2018
District's proportion of the net OPEB liability	0.51095470%	0.53907403%
District's proportionate share of the net OPEB liability	\$ 3,952,490	4,229,623
Covered employee payroll	\$ 23,110,134	24,219,114
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HINDS COUNTY SCHOOL DISTRICT
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	2019	2018
Actuarially determined contribution	\$ 164,397	180,315
Contributions in relation to the actuarially determined contribution	164,397	180,315
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 24,472,622	25,450,914
Contributions as a percentage of covered employee payroll	0.67%	0.71%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 75 was implemented in the FYE 6-30-18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

HINDS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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

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

2016:

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

2017:

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

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

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

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

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as

HINDS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.75%

HINDS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

Pre-Medicare

Ultimate health care cost trend rates

Medicare Supplement Claims	5.00%
Pre-Medicare	

Year of ultimate trend rates

Medicare Supplement Claims	2023
Pre-Medicare	

Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%
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SUPPLEMENTARY INFORMATION

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HINDS COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 996,423
National school lunch program	10.555	195MS326N1099	2,855,252
Summer food service program for children	10.559	195MS326N1099	8,810
Total child nutrition cluster			<u>3,860,485</u>
Fresh fruits and vegetable program	10.582	195MS326L1603	18,725
Total passed-through Mississippi Department of Education			<u>3,879,210</u>
Total U.S. Department of Agriculture			<u>3,879,210</u>
<u>U.S. Department of Defense</u>			
Direct program:			
Reserve officers' training corps	12.xxx	N/A	<u>113,085</u>
Total U.S. Department of Defense			<u>113,085</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	ES010A180024	1,073,072
Twenty first century community learning centers	84.287	ES287C180024	239,784
Supporting effective instruction - state grants	84.367	ES367A180023	310,090
Student support and academic enrichment program	84.424	ES424A180025	29,444
Total			<u>1,652,390</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	1,335,240
Special education - preschool grants	84.173	H173A180113	49,732
Total special education cluster			<u>1,384,972</u>
Total passed-through Mississippi Department of Education			<u>3,037,362</u>
Total U.S. Department of Education			<u>3,037,362</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1905MS5ADM	<u>133,602</u>
Total passed-through Mississippi Department of Education			<u>133,602</u>
Total U.S. Department of Health and Human Services			<u>133,602</u>
Total for All Federal Awards			<u>\$ 7,163,259</u>

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2019

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$316,596 are included in the National School Lunch Program.

(5) Other Items

For each federal grant passed through the Mississippi Department of Education, the school district has elected to use the pass-through entity identifying number as provided by the Mississippi Department of Education for the most recent and significant grant year.

HINDS COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2019

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 32,282,901	25,868,157	1,680,496	3,019,403	1,714,845
Other	33,542,447	6,851,685	1,420,887	75,374	25,194,501
Total	<u>65,825,348</u>	<u>32,719,842</u>	<u>3,101,383</u>	<u>3,094,777</u>	<u>26,909,346</u>
Total number of students	<u>4,850</u>				
Cost per student	<u>\$ 13,572</u>	<u>6,746</u>	<u>640</u>	<u>638</u>	<u>5,548</u>

Notes to the schedule.

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

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

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

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

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

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

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OTHER INFORMATION

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HINDS COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues				
Local sources	\$ 22,980,127	22,902,721	22,565,737	20,986,458
State sources	25,880,157	25,325,319	26,780,859	27,210,223
Federal sources	155,918	177,303	123,491	222,549
Sixteenth section sources	950,384	554,414	705,938	863,190
Total Revenues	49,966,586	48,959,757	50,176,025	49,282,420
Expenditures				
Instruction	24,240,758	24,690,232	24,599,955	25,709,353
Support services	22,965,322	21,988,027	22,585,954	21,891,242
Sixteenth section	63,120	83,277	205,893	109,379
Facilities acquisition and construction	0	0	102,786	0
Debt service				
Principal	352,726	323,876	297,184	272,114
Interest	69,731	86,410	101,719	115,751
Total Expenditures	47,691,657	47,171,822	47,893,491	48,097,839
Excess (Deficiency) of Revenues Over Expenditures	2,274,929	1,787,935	2,282,534	1,184,581
Other Financing Sources (Uses)				
Insurances loss recoveries	0	3,032	265,262	126,519
Sale of transportation equipment	1,872	0	3,510	0
Sale of other property	1,340	0	0	0
Operating transfers in	589,999	155,121	430,634	222,782
Other financing sources	0	450,000	0	400,000
Operating transfers out	(1,651,956)	(2,427,439)	(877,520)	(4,193,547)
Total Other Financing Sources (Uses)	(1,058,745)	(1,819,286)	(178,114)	(3,444,246)
Net Change in Fund Balances	1,216,184	(31,351)	2,104,420	(2,259,665)
Fund Balances				
Beginning of period, as previously reported	17,817,263	17,810,424	15,681,615	17,941,280
Prior period adjustments	56	38,190	0	0
Fund reclassification	0	0	24,389	0
Beginning of period, as restated	17,817,319	17,848,614	15,706,004	17,941,280
End of period	\$ 19,033,503	17,817,263	17,810,424	15,681,615

* 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

	2019	2018*	2017*	2016*
Revenues				
Local sources	\$ 29,020,646	28,157,537	28,313,129	25,350,694
State sources	26,308,726	27,036,006	28,077,900	28,611,827
Federal sources	6,901,967	6,905,304	6,919,808	7,489,688
Sixteenth section sources	1,007,839	566,583	747,155	917,989
Total Revenues	63,239,178	62,665,430	64,057,992	62,370,198
Expenditures				
Instruction	26,942,966	30,770,188	27,676,532	29,242,587
Support services	24,738,730	24,113,646	24,495,270	23,826,005
Noninstructional services	3,426,362	3,524,644	3,655,704	3,751,365
Sixteenth section	63,181	83,455	205,893	109,495
Facilities acquisition and construction	4,988,262	7,120,790	3,049,035	1,151,648
Debt service				
Principal	2,502,726	3,464,876	6,407,184	6,294,114
Interest	3,156,321	595,413	654,765	664,095
Other	6,800	480,191	172,677	90,401
Total Expenditures	65,825,348	70,153,203	66,317,060	65,129,710
Excess (Deficiency) of Revenues Over Expenditures	(2,586,170)	(7,487,773)	(2,259,068)	(2,759,512)
Other Financing Sources (Uses)				
Premiums on bonds issued	0	5,754,911	0	0
Bonds and notes issued	0	59,900,000	7,250,000	1,848,000
Insurances loss recoveries	0	3,032	265,262	126,519
Sale of transportation equipment	1,872	0	3,510	0
Sale of other property	1,340	0	0	0
Operating transfers in	2,250,766	7,348,540	3,774,710	5,596,476
Other financing sources	0	454,774	0	400,000
Operating transfers out	(2,250,766)	(7,348,540)	(3,774,710)	(5,596,476)
Total Other Financing Sources (Uses)	3,212	66,112,717	7,518,772	2,374,519
Net Change in Fund Balances	(2,582,958)	58,624,944	5,259,704	(384,993)
Fund Balances				
Beginning of period, as previously reported	89,147,098	30,515,057	25,211,058	25,604,349
Prior period adjustments	32,643	15,291	28,974	0
Beginning of period, as restated	89,179,741	30,530,348	25,240,032	25,604,349
Increase (Decrease) in reserve for inventory	379	(8,194)	15,321	(8,298)
End of period	\$ 86,597,162	89,147,098	30,515,057	25,211,058

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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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

Independent Auditor's Report

Superintendent and School Board
Hinds County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Hinds County School District's basic financial statements, and have issued my report thereon dated September 22, 2020.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses [2019-001, 2019-002, 2019-003, 2019-004 and 2019-005].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies [2019-006, 2019-007 and 2019-008].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hinds County School District's financial statements are free from material misstatement, I 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 my audit, and

accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hinds County School District's Response to Findings

Hinds County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Hinds County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
September 22, 2020

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Hinds County School District

Report on Compliance for Each Major Federal Program

I have audited Hinds County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hinds County School District's major federal programs for the year ended June 30, 2019. Hinds County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Hinds County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Hinds County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items [2019-009].

My opinion on each major federal program is not modified with respect to these matters

Hinds County School District's response to the noncompliance finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. Hinds County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of Hinds County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Hinds County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Hinds County School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items [2019-009] that I consider to be significant deficiencies.

Hinds County School District's response to the internal control over compliance findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Hinds County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
September 22, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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HINDS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|---|------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. | Federal program identified as major program: | |
| | Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings(s) and questioned costs relative to federal Awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

Section II: Financial Statement Findings

Deficiencies identified that are considered material weakness.

Finding 2019-001

CONDITION: Testing of 16th section transactions revealed that school district management transferred \$2,941,419 (interfund loans) from 16 different sixteenth section interest funds to the district maintenance fund without the prior approval of the school board. At the board meeting on November 14, 2019, the school board did retroactively approve the transfers.

CRITERIA: Section 29-3-117, Mississippi Code of 1972, states "All expendable sixteenth section revenues to which a school district shall become entitled, as provided in Sections 29-3-115 through 29-3-123 from annual rents, interest and other sources shall be paid into the maintenance or building fund of the school district entitled thereto on order of the board of education." This language suggests an order by the board prior to the action of transferring funds.

CAUSE OF CONDITION: The cause of this condition is a failure of accounting controls.

POTENTIAL EFFECT OF CONDITION: The effect of this condition could be construed to be a matter of noncompliance with state laws.

HINDS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

RECOMMENDATION: It is recommended that the school district's accounting controls be evaluated and enhanced as needed to ensure that the school board orders the transfers of 16th section interest funds prior to the transfer and documents the order in the school board minutes.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

Finding 2019-002

CONDITION: The testing of interfund transactions disclosed that \$3,000,000 of Education Enhancement Funds – Building and Bus Fund were loaned to the General Fund to be used for general operation purposes. State law is extremely specific as to the intended use of these funds. Using these funds for general operating purposes is not consistent with the intended use.

CRITERIA: Section 37-61-33(2), Mississippi Code of 1972, states in part "(2)...Such money shall be distributed to all school districts...for the following purposes: (a) Purchasing, erecting, repairing, equipping, remodeling and enlarging school buildings and related facilities...transportation vehicles...and purchasing land therefor. (b) Establishing and equipping school athletic fields and necessary facilities connected therewith and purchasing land therefor. (c) Providing necessary water, light, heating, air-conditioning and sewerage facilities for school buildings, and purchasing land therefor. (d) As a pledge to pay all or a portion of the debt service on debt issued by the school district..."

CAUSE OF CONDITION: The cause of this condition is a failure of accounting controls.

POTENTIAL EFFECT OF CONDITION: The effect of this condition could be construed to be a matter of noncompliance with state laws.

RECOMMENDATION: It is recommended that the school district's accounting controls be evaluated and enhanced as needed to ensure that Education Enhancement Funds – Building and Bus Fund be used for their intended purposes as designate by state law. It is further recommended that the outstanding interfund loan of \$3,000,000 be repaid from the district maintenance fund to the Education Enhancement Funds – Building and Bus Fund.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

Finding 2019-003

CONDITION: School district management did not prepare the year-end fund level financial statements that are required by Governmental Accounting Standards Board (GASB) pronouncement number 34 (Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments).

CRITERIA: Section 37-61-21(2), Mississippi Code of 1972 states in part "On or before the fifteenth day of October of each year, the local school board...,with the assistance of the school district superintendent, shall prepare... year-end financial statements..."

CAUSE OF CONDITION: The cause of this condition is an absence of accounting controls due to the inability of school management to properly utilize the financial accounting software to prepare year-end financial statements.

POTENTIAL EFFECT OF CONDITION: The effect of this condition results in the inability of management and the school board to view the school district finances at the financial statement fund level.

RECOMMENDATION: It is recommended that school management consult with the software vendor to assist with the preparation of year-end financial statements that comply with GASB 34.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

Finding 2019-004

CONDITION: From July 2018 through the middle of February 2019, the school district paid a petroleum vendor the amount of \$254,325.23 for which there was no evidence that the vendor provided any petroleum services. The school district was subsequently reimbursed on February 28, 2019 the amount of \$241,615.98, leaving a balance of \$12,240.25 potentially being owed to the school district. The circumstances surrounding the payments are unknown since the individual(s) involved are no longer employed by the school district. The invoices inspected indicated that the "Bill To" was Durham School Service LP and not the Hinds County School District.

CRITERIA: The school district should only pay vendors for valid invoices for which goods or services to the school district have been provided.

CAUSE OF CONDITION: The cause of the condition is a failure of accounting controls.

POTENTIAL EFFECT OF CONDITION: The effect of this condition could result in misappropriation of assets.

HINDS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

RECOMMENDATION: It is recommended that the accounting controls be enhanced to permit proper payments to valid vendors for services (or goods) actually received.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

Finding 2019-005

CONDITION: Upon reviewing the school board minutes, it was noted that the school board approved the salary scales for the 2018-2019 fiscal year on June 14, 2018. However, the salary scales were not included in the minutes or attached as an addendum to the minutes. The exclusion of the salary scales could be interpreted as if the salary scales were never approved by the school board.

CRITERIA: Section 37-7-301 (w), Mississippi Code of 1972, states in part (the school board has the general duties and power) "to employ all noninstructional and noncertificated employees and fix the duties and compensation of such personnel deemed necessary pursuant to the recommendation of the superintendent of schools". In addition, Section 37-9-37 states that "the amount of the salary to be paid any superintendent, principal or licensed employee shall be fixed by the school board". An appropriately designed and implemented system of accounting controls would minimize the likelihood of this type of exclusion from the board minutes.

CAUSE OF CONDITION: The cause of this condition is a failure of accounting controls.

POTENTIAL EFFECT OF CONDITION: The effect of this condition could be construed to be a matter of noncompliance with state laws.

RECOMMENDATION: It is recommended that the school district's accounting controls be evaluated and enhanced as needed to ensure that board approved salary scales are included in the minutes.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

Significant deficiencies identified that are not considered to be material weaknesses.

2019-006

CONDITION: A purchase order was issued August 1, 2018 to Morrison Fleet Services, Inc for \$93,000. The school district received invoices from Fuelman from July 9, 2018 through September 3, 2018 totaling \$71,461.32. The payments (checks written) for the four claims were payable to Morrison Fleet Services (not Fuelman). Furthermore, Morrison Fleet Services did not exist in the school district's vendor data base.

CRITERIA: Payments (checks) to vendors should be made payable to the vendor listed on the invoice. In addition, the purchase order that authorizes the purchase should be dated prior to the acquisition of goods or services.

CAUSE OF CONDITION: The cause of the condition is a failure of accounting controls.

POTENTIAL EFFECT OF CONDITION: The effect of this condition could result in the payment of claims to an incorrect vendor and / or misappropriation of assets.

RECOMMENDATION: It is recommended that payments to vendors agree with the vendors name on the invoices.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

2019-007

CONDITION: Upon testing purchase transactions the following was noted:

- 1) There was the appearance of splitting invoices. Two purchase orders issued to the same athletic supply company were dated the same day with the purchase order numbers being one digit apart. The items being purchased are exact and/or similar in nature. Purchase order no. 19000001 was for \$42,852.79 and purchase order number 19000002 was for \$33,680.66.
- 2) The purchase of athletic apparel totaling \$11,911.81 was acquired without having obtained two written quotes.
- 3) Yearbooks totaling \$5,208.04 were acquired without having followed the request for proposal process.
- 4) The purchases of two glass store fronts with doors for \$19,720 and \$28,300 were acquired without having obtained two written quotes. In addition, the purchase orders were dated after the date of the invoices.
- 5) The purchase of 116 meals totaling \$1,566.00 were acquired as part of the grand opening of a new school district facility. The purchase order totaling \$3,000.00 for meals for a basketball tournament was manually altered without an explanation for the reason of the change.

HINDS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

CRITERIA: Appropriate accounting controls would be such that the design and implementation of those controls would prevent the noted matters from occurring. Additionally, Section 31-7-13, Mississippi Code of 1972, specifically addresses each of the matters noted.

CAUSE OF CONDITION: The cause of the condition is a failure of accounting controls.

POTENTIAL EFFECT OF CONDITION: The effect of this condition could be construed to be a matter of noncompliance with state laws.

RECOMMENDATION: It is recommended that management establish appropriately designed accounting controls and implement such controls to minimize the occurrence of the matters noted above.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

2019-008

CONDITION: The testing of additions and deletions to capital assets revealed the following:

- 1) The school district reported no additions to capital assets. However, testing of additions uncovered three assets that met the capitalization threshold: one Ford F-250 truck at a cost of \$35,815.00 and two Kubota tractors with a cost of \$8,699.34 each.
- 2) The testing of a sample of asset deletions revealed that six of the seven disposed vehicles had not been disposed. The district made an error when trying to clean up the asset records due to these six vehicles having duplicate assets numbers. The vehicles remained in the possession of the school district.

CRITERIA: The design and implementation of accounting controls for the acquisition of capital assets and the disposal of capital assets should be such that acquisitions and disposals are appropriately accounted for with minimum errors.

CAUSE OF CONDITION: The cause of the condition is a failure of accounting controls.

POTENTIAL EFFECT OF CONDITION: The effect of the condition could result in the loss of capital assets.

RECOMMENDATION: It is recommended that the accounting controls for the acquisition of capital assets and the disposal of capital assets be enhanced to provided management with a high-level of assurance that there is a proper accounting of capital assets.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses and a matter of noncompliance.

2019-009

Program CFDA No.: 10.553 CFDA program title: Child Nutrition Cluster
 10.555
 10.559 Passed through the Mississippi Department of Education

Compliance Requirement: Special Provision – Paid Lunch Equity

CRITERIA: The school district is required to perform a paid lunch equity calculation each year to determine whether or not there should be an increase in paid meal prices for students.

CONDITION: School district management was unable to locate any documentation that confirmed the paid lunch equity calculation had been performed or an exemption to the requirement had been obtained from the Mississippi Department of Education.

CAUSE: The cause of the condition is a failure of controls to properly secure records and documents that support required procedures had been performed.

EFFECT OF CONDITION: The cause of the condition could result in noncompliance with program requirements.

QUESTIONED COST: There are no questioned cost.

PREVALENCE OF FINDING: This finding seems to be an isolated incident.

REPEAT FINDING FROM PRIOR AUDIT: This is not a prior year finding.

RECOMMENDATION: It is recommended that the calculation of the paid lunch equity be maintained and kept in a secure location.

VIEWS OF RESPONSIBLE OFFICIAL: In agreement. See district's response in the Corrective Action Plan contained within this report.

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

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Hinds County School District

Dr. Delesicia M. Martin
Superintendent of Education

Engaging • Empowering • Ensuring • Excellence

Corrective Action Plan

Hinds County School Board

Timothy Burnett — District 1

Robbie Anderson — District 2

Dr. Linda Laws, President — District 3

Kayla Banger — District 4

Carolyn Samuel — District 5

September 22, 2020

As required by 2 CFR 200.511 (a), the Hinds County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

Finding 2019-001

Corrective Action Plan

- a. Contact person responsible for corrective action: Sharon Harris, Executive Director of Business Services
- b. Description of correction action to be taken: The School Board retroactively approved the \$2,941,419 (interfund loan) that was transferred from 16 different sixteenth section interest funds to the district maintenance fund.
- c. Anticipated completion date of corrective action: The School Board approval was completed on November 14, 2019.

Finding 2019-002

Corrective Action Plan

- a. Contact person responsible for corrective action: Sharon Harris, Executive Director of Business Services
- b. Description of correction action to be taken: The district transferred funds in the amount of \$3,000,000 back to the Educational Enhancement Funds that had been loaned to the general fund for general operation purposes.
- c. Anticipated completion date of corrective action: September 1, 2020

Finding 2019-003

Corrective Action Plan

- a. Contact person responsible for corrective action: Sharon Harris, Executive Director of Business Services
- b. Description of correction action to be taken: The district switched accounting software system from MUNIS to Marathon which does prepared the GASB 34 financial statements.
- c. Anticipated completion date of corrective action: July 1, 2020

Finding 2019-004

Corrective Action Plan

- a. Contact person responsible for corrective action: Sharon Harris, Executive Director of Business Services and Delesicia Martin, Superintendent
- b. Description of correction action to be taken: The school board now approves vendor list at the beginning of each year and the Accounts Payable Department verifies that the district is only paying vendors for valid invoices for which goods or services to the school district have been provided.
- c. Anticipated completion date of corrective action: September 1, 2019

Finding 2019-005

Corrective Action Plan

- a. Contact person responsible for corrective action: Beverly Hay, HR Coordinator, Sharon Harris, Executive Director of Business Services and Fay Mabry, Board Secretary
- b. Description of correction action to be taken: The district will review and enhance accounting controls to ensure that board approved salary scales are included in the minutes Anticipated completion date of corrective action: Salary Scales for FY20-21 Approved on the July 28, 2020 board agenda.

Finding 2019-006

Corrective Action Plan

- a. Contact person responsible for corrective action: Sharon Harris, Executive Director of Business Services, Christie Jones, Purchasing Manager, Accounts Payable
- b. Description of correction action to be taken: The district will ensure that payments are only made to vendors listed on the invoice and that purchase orders will be dated prior to the acquisition of goods and services.
- c. Anticipated completion date of corrective action: July 1, 2020

Finding 2019-007

Corrective Action Plan

- a. Contact person responsible for corrective action: Sharon Harris, Executive Director of Business Services, Christie Jones, Purchasing Manager
- b. Description of correction action to be taken: For the FY20-21 School Year, the district implemented a new Purchasing Procedure. Whereas there is an approval process that Administrator is required to review and approve all purchases and verify supporting documents. The requisition is then reviewed by Purchasing Manager to assure no splitting of invoices has occurred. Final approval is acquired from the Superintendent prior to Purchase Order being issued. The district will also follow all guidelines outlined in the State of Mississippi Procurement Manual.
- c. Anticipated completion date of corrective action: October 1, 2020

Finding 2019-008

Corrective Action Plan

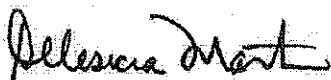
- a. Contact person responsible for corrective action: Lisa Jones, Director of Technology; Ivan Smith, Executive Director of Facilities & Maintenance; Sharon Harris, Executive Director of Business Services; Margaret Brown, Capital Asset Management & Additions; Trenis Williams Capital Asset Deletions; Christie Jones, Purchasing Manager
- b. Description of correction action to be taken: The Capital Asset team will develop procedures to consistently and accurately detect any duplicated assets in the Marathon system. The district will conduct two annual audits (beginning of the school year & end of school year). The Capital Asset team will send the departments a list of capital assets for review and verification. The Capital Asset team will then identify the items that meet the \$5,000 threshold that are not currently included on the Capital Asset List, so that the list can be updated. During the audit, the team will identify capital assets that are not tagged and work to tag those items. The team will also work with departments to identify items that are not usable and work to properly dispose of those items.
- c. Anticipated completion date of corrective action: December 1, 2020

Finding 2019-009

Corrective Action Plan

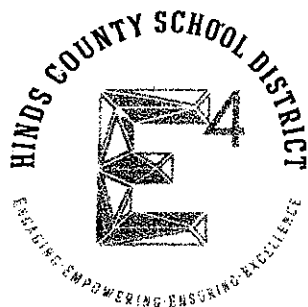
- d. Contact person responsible for corrective action: Sharon Harris, Executive Director of Business Services; Wanda Brandon, Assistant Director of Child Nutrition
- e. Description of correction action to be taken: For the FY-20-21 the district submitted the documentation to be exempt for the Paid Lunch Equity (PLE) requirement as described in 7CFR 210.14(e). The waiver request was approved by The Office of Child Nutrition.
- f. Anticipated completion date of corrective action: September 1, 2020

Sincerely,



Delesicia Martin,
Superintendent of Education

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Hinds County School District

Dr. Delesicia M. Martin
Superintendent of Education

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Hinds County School Board
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Carolyn Samuel — District 5

Summary Schedule of Prior Audit Findings

September 22, 2020

As required by 2 CFR 200.511(b), the Hinds County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2019.

<u>Finding</u>	<u>Status</u>
2018 - 001	Corrected

Sincerely,

Superintendent of Education

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