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HINDS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

HINDS COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Exhibit A - Statement of Net Position	18
Exhibit B - Statement of Activities	19
Governmental Funds Financial Statements:	
Exhibit C - Balance Sheet - Governmental Funds	20
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	22
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Fiduciary Funds Financial Statements:	
Exhibit E - Statement of Fiduciary Assets and Liabilities	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	58
Schedule of the District's Proportionate Share of the Net Pension Liability	59
Schedule of District Contributions	60
Notes to the Required Supplementary Information	61
SUPPLEMENTARY INFORMATION	
Schedule I - Schedule of Expenditures of Federal Awards	63
Notes to the Schedule of Expenditures of Federal Awards	64
Schedule II - Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	65

HINDS COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS, CONTINUED

	<u>PAGE</u>
OTHER INFORMATION	
Schedule III - Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	67
Schedule IV - Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	68
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	72
Independent Auditors' Report on Compliance with State Laws and Regulations	76
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS:	
Section I – Summary of the Independent Auditors' Results	79
Section II – Financial Statement Findings	80
Section III – Federal Award Findings and Questioned Costs	80
Status of Prior Year Audit Findings and Questioned Costs	81

INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Hinds County School District
Raymond, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinds County School District (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

INDEPENDENT AUDITORS' REPORT
CONTINUED

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 7-16, 58, 59 and 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required Supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT
CONTINUED

Other Information

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

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

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

INDEPENDENT AUDITORS' REPORT
CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

March 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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 2016 increased \$296,660, including a prior period adjustment of (\$7,051), which represents a 12% increase from fiscal year 2015. Total net position for 2015 decreased \$52,686,026, including a prior period adjustment of (\$54,632,600) due primarily to the reporting of the net pension liability, which represents a 95% decrease from fiscal year 2014.
- General revenues amounted to \$53,250,131 and \$53,328,551, or 85% and 86% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,646,586, or 15% of total revenues for 2016, and \$9,034,186, or 14% of total revenues for 2015.
- The District had \$62,593,006 and \$60,416,163 in expenses for fiscal years 2016 and 2015, respectively; only \$9,646,586 for 2016 and \$9,034,186 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$53,250,131 for 2016 and \$53,328,551 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$49,282,420 in revenues and \$48,097,839 in expenditures for 2016, and \$47,104,273 in revenues and \$49,598,946 in expenditures in 2015. The General Fund's fund balance decreased by \$2,259,665 from 2015 to 2016, and increased by \$5,371,012 from 2014 to 2015, including a fund reclassification of \$7,085,453.
- Capital assets, net of accumulated depreciation, decreased by \$573,137 for 2016 and decreased by \$1,450,577 for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation.
- Long-term debt, excluding bond premium, decreased by \$4,154,082 for 2016 and decreased by \$5,764,438 for 2015. The decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$17,032 for 2016 and decreased by \$73,857 for 2015.

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds – Most of the School 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 School District's near-term financing requirements.

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

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.

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.

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

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, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 School District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,816,602 as of June 30, 2016.

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.

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

**Table 1
Condensed Statement of Net Position**

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 24,272,516	\$ 25,367,312	(4.32) %
Restricted assets	1,485,612	574,953	158.39 %
Capital assets, net	55,109,959	55,683,096	(1.03) %
Total assets	80,868,087	81,625,361	(0.93) %
Deferred outflows of resources	14,028,919	6,840,447	105.09 %
Current liabilities	671,385	510,323	31.56 %
Long-term debt outstanding	20,527,304	24,593,281	(16.53) %
Net pension liability	69,150,561	53,139,326	30.13 %
Total liabilities	90,349,250	78,242,930	15.47 %
Deferred inflows of resources	1,731,154	7,702,936	(77.53) %
Net position:			
Net investment in capital assets	38,336,229	34,069,316	12.52 %
Restricted	8,547,451	7,235,260	18.14 %
Unrestricted	(44,067,078)	(38,784,634)	13.62 %
Total net position	\$ 2,816,602	\$ 2,519,942	11.77 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (44,067,078)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	57,322,562
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 13,255,484</u>

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

- Decrease in net capital assets in the amount of \$573,137.
- The principal retirement of \$6,294,114 of long-term debt.
- The proceeds received from the issuance of long-term debt in the amount of \$1,848,000.
- Recognition of the net pension liability in the amount of \$69,150,561.

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

Changes in net position

The School District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$62,896,717 and \$62,362,737, respectively. The total cost of all programs and services was \$62,593,006 for 2016 and \$60,416,163 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,592,356	\$ 1,556,060	2.33 %
Operating grants and contributions	8,054,230	7,478,126	7.70 %
General revenues:			
Property taxes	23,350,192	23,673,692	(1.37) %
Grants and contributions not restricted	28,047,284	26,863,340	4.41 %
Investment earnings	349,500	277,008	26.17 %
Sixteenth section sources	706,189	704,164	0.29 %
Other	796,966	1,810,347	(55.98) %
Total revenues	62,896,717	62,362,737	0.86 %
Expenses:			
Instruction	27,820,193	27,781,925	0.14 %
Support services	22,794,329	23,789,587	(4.18) %
Non-instructional	3,680,542	3,599,676	2.25 %
Sixteenth section	109,495	75,961	44.15 %
Pension expense	7,382,172	4,070,291	81.37 %
Interest on long-term liabilities	806,275	1,098,723	(26.62) %
Total expenses	62,593,006	60,416,163	3.60 %
Increase (Decrease) in net position	303,711	1,946,574	(84.40) %
Net Position, July 1, as previously reported	2,519,942	55,205,968	(95.44) %
Prior Period Adjustment	(7,051)	(54,632,600)	99.99 %
Net Position, July 1, as restated	2,512,891	573,368	338.27 %
Net Position, June 30	\$ 2,816,602	\$ 2,519,942	11.77 %

Governmental activities

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

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 27,820,193	\$ 27,781,925	0.14 %
Support services	22,794,329	23,789,587	(4.18) %
Non-instructional	3,680,542	3,599,676	2.25 %
Sixteenth section	109,495	75,961	44.15 %
Pension Expense	7,382,172	4,070,291	81.37 %
Interest on long-term liabilities	806,275	1,098,723	(26.62) %
Total expenses	\$ 62,593,006	\$ 60,416,163	3.60 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (23,847,989)	\$ (24,499,001)	2.66 %
Support services	(21,144,418)	(21,886,215)	3.39 %
Non-instructional	296,174	210,577	40.65 %
Sixteenth section	(61,740)	(38,324)	(61.10) %
Pension Expense	(7,382,172)	(4,070,291)	(81.37) %
Interest on long-term liabilities	(806,275)	(1,098,723)	26.62 %
Total net (expense) revenue	\$ (52,946,420)	\$ (51,381,977)	3.04 %

- Net cost of governmental activities (\$52,946,420 for 2016 and \$51,381,977 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$23,350,192 for 2016 and \$23,673,692 for 2015) and state and federal revenues (\$28,047,284 for 2016 and \$26,863,340 for 2015). In addition, there was \$706,189 and \$704,164 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$349,500 for 2016 and \$277,008 for 2015.

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.

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

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 \$25,211,058, a decrease of \$393,291, which includes a decrease in inventory of \$8,298. \$8,990,295, or 36% 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 \$16,220,763 or 64% 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 decrease in fund balance in the General Fund for the fiscal year was \$2,259,665. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,866,374, which includes a decrease in inventory of \$8,298.

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared to the District's total revenues and expenditures.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$83,383,073, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$1,214,386 from 2015 due primarily to the completion of building improvements and improvements other than buildings during the fiscal year. Total accumulated depreciation as of June 30, 2016, was \$28,273,114, and total depreciation expense for the year was \$1,768,392, resulting in total net capital assets of \$55,109,959.

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

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

	June 30, 2016	June 30, 2015	Percentage Change
Land	\$ 30,914	\$ 30,914	0.00 %
Construction in Progress	-	250,397	(100.00) %
Buildings	52,352,104	53,925,326	(2.92) %
Building improvements	568,879	-	N/A %
Improvements other than buildings	1,770,926	1,104,553	60.33 %
Mobile equipment	205,610	157,446	30.59 %
Furniture and equipment	181,526	214,460	(15.36) %
Total	\$ 55,109,959	\$ 55,683,096	(1.03) %

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

Debt Administration. At June 30, 2016, the District had \$20,394,073 in outstanding long-term debt, excluding bond premium, of which \$6,418,980 is due within one year. During the fiscal year, the District received proceeds from the issuance of three mill notes in the amount of \$1,848,000. The District made principal payments totaling \$6,294,114 on outstanding long-term debt. The liability for compensated absences increased \$17,032 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	June 30, 2016	June 30, 2015	Percentage Change
General obligation bonds payable	\$ 6,595,000	\$ 11,140,000	(40.80) %
Limited obligation refunding bonds payable	1,591,000	2,378,000	(33.10) %
Three mill notes payable	9,783,000	8,350,000	17.16 %
Performance leases payable	2,189,156	2,461,270	(11.06) %
Compensated absences payable	235,917	218,885	7.78 %
Total	\$ 20,394,073	\$ 24,548,155	(16.92) %
Bond premium	133,231	45,126	195.24 %
Total	\$ 20,527,304	\$ 24,593,281	(16.53) %

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

**HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

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.

FINANCIAL STATEMENTS

HINDS COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,976,507
Investments	10,142,154
Due from other governments	2,076,964
Inventories	76,891
Restricted assets	1,485,612
Capital assets, non-depreciable:	
Land	30,914
Capital assets, net of accumulated depreciation:	
Buildings	52,352,104
Building improvements	568,879
Improvements other than buildings	1,770,926
Mobile equipment	205,610
Furniture and equipment	181,526
Total Assets	<u>80,868,087</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	469,766
Deferred outflow related to pensions	13,559,153
Total Deferred Outflows of Resources	<u>14,028,919</u>
Liabilities	
Accounts payable and accrued liabilities	479,469
Unearned revenue	67,601
Interest payable on long-term liabilities	124,315
Long-term liabilities, due within one year:	
Capital related liabilities	6,110,000
Non-capital related liabilities	308,980
Long-term liabilities, due beyond one year:	
Capital related liabilities	11,859,000
Capital related bond premiums	133,231
Non-capital related liabilities	2,116,093
Net pension liability	69,150,561
Total Liabilities	<u>90,349,250</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	1,731,154
Total Deferred Inflows of Resources	<u>1,731,154</u>
Net Position	
Net investment in capital assets	38,336,229
Restricted for:	
Expendable:	
School-based activities	4,322,137
Debt service	3,203,997
Forestry improvements	533,546
Unemployment benefits	375,238
Non-expendable:	
Sixteenth section	112,533
Unrestricted	(44,067,078)
Total Net Position (deficit)	<u>\$ 2,816,602</u>

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

HINDS COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					
Instruction	\$ 27,820,193	\$ 617,226	\$ 3,354,978	\$ -	\$ (23,847,989)
Support services	22,794,329	126,519	1,523,392	-	(21,144,418)
Non-instructional	3,680,542	800,856	3,175,860	-	296,174
Sixteenth section	109,495	47,755	-	-	(61,740)
Pension expense	7,382,172	-	-	-	(7,382,172)
Interest on long-term liabilities	806,275	-	-	-	(806,275)
Total Governmental Activities	\$ 62,593,006	\$ 1,592,356	\$ 8,054,230	\$ -	\$ (52,946,420)

General Revenues:

Taxes:

General purpose levies 19,779,821

Debt purpose levies 3,570,371

Unrestricted grants and contributions:

State 27,824,735

Federal 222,549

Unrestricted investment earnings 349,500

Sixteenth section sources 706,189

Other 796,966

Total General Revenues 53,250,131

Change in Net Position 303,711

Net Position - Beginning, as previously reported 2,519,942
Prior Period Adjustments (7,051)

Net Position - Beginning, as restated 2,512,891

Net Position (deficit) - Ending \$ 2,816,602

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

HINDS COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2016

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,033,430	\$ 5,846,165	\$ 12,879,595
Cash with fiscal agents	-	8,873	8,873
Investments	9,771,232	944,573	10,715,805
Due from other governments	827,051	1,143,028	1,970,079
Due from other funds	630,464	2,315,000	2,945,464
Advance to other funds	1,058	-	1,058
Inventories	-	76,891	76,891
Total assets	<u>\$ 18,263,235</u>	<u>\$ 10,334,530</u>	<u>\$ 28,597,765</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 266,620	\$ 212,849	\$ 479,469
Due to other funds	2,315,000	524,637	2,839,637
Unavailable revenue - federal programs	-	67,601	67,601
Total Liabilities	<u>2,581,620</u>	<u>805,087</u>	<u>3,386,707</u>
Fund Balances:			
Nonspendable:			
Inventory	-	76,891	76,891
Permanent fund principal	-	112,533	112,533
Advances	1,058	-	1,058
Restricted:			
Debt service	-	3,328,312	3,328,312
Capital projects	-	858,735	858,735
Forestry improvement purposes	-	533,546	533,546
Grant activities	-	3,305,735	3,305,735
Unemployment benefits	-	375,238	375,238
Child nutrition	-	938,453	938,453
Assigned:			
Improvement of facilities	6,395,479	-	6,395,479
Activity funds	294,783	-	294,783
Unassigned	8,990,295	-	8,990,295
Total Fund Balances	<u>15,681,615</u>	<u>9,529,443</u>	<u>25,211,058</u>
Total Liabilities and Fund Balances	<u>\$ 18,263,235</u>	<u>\$ 10,334,530</u>	<u>\$ 28,597,765</u>

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

HINDS COUNTY SCHOOL DISTRICT

Governmental Funds**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**
June 30, 2016**Exhibit C-1**

Total fund balances for governmental funds **\$ 25,211,058**

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

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

Land	\$ 30,914	
Buildings	76,204,356	
Building improvements	823,347	
Improvements other than buildings	3,435,715	
Mobile equipment	639,498	
Furniture and equipment	2,249,243	
Accumulated depreciation	<u>(28,273,114)</u>	55,109,959

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

Net pension liability	(69,150,561)	
-----------------------	--------------	--

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	13,559,153	
Deferred inflows of resources related to pensions	<u>(1,731,154)</u>	(57,322,562)

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

General obligation bonds	(6,595,000)	
Limited obligation refunding bonds	(1,591,000)	
Notes payable	(9,783,000)	
Performance leases payable	(2,189,156)	
Compensated absences	(235,917)	
Unamortized charges	469,766	
Unamortized premiums	(133,231)	
Accrued interest payable	<u>(124,315)</u>	(20,181,853)

Net Position of governmental activities **\$ 2,816,602**

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

HINDS COUNTY SCHOOL DISTRICT

Governmental Funds**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016****Exhibit D**

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 20,986,458	\$ 4,364,236	\$ 25,350,694
State sources	27,210,223	1,401,604	28,611,827
Federal sources	222,549	7,267,139	7,489,688
Sixteenth section sources	863,190	54,799	917,989
Total Revenues	49,282,420	13,087,778	62,370,198
Expenditures:			
Instruction	25,709,353	3,533,234	29,242,587
Support services	21,891,242	1,934,763	23,826,005
Noninstructional services	-	3,751,365	3,751,365
Sixteenth section	109,379	116	109,495
Facilities acquisition and construction	-	1,151,648	1,151,648
Debt service:			
Principal	272,114	6,022,000	6,294,114
Interest	115,751	548,344	664,095
Other	-	90,401	90,401
Total Expenditures	48,097,839	17,031,871	65,129,710
Excess (Deficiency) of Revenues over (under) Expenditures	1,184,581	(3,944,093)	(2,759,512)
Other Financing Sources (Uses):			
Bonds and notes issued	-	1,848,000	1,848,000
Insurance recovery	126,519	-	126,519
Operating transfers in	222,782	5,373,694	5,596,476
Other financing sources	400,000	-	400,000
Operating transfers out	(4,193,547)	(1,402,929)	(5,596,476)
Total Other Financing Sources (Uses)	(3,444,246)	5,818,765	2,374,519
Net Change in Fund Balances	(2,259,665)	1,874,672	(384,993)
Fund Balances:			
July 1, 2015	17,941,280	7,663,069	25,604,349
Increase (Decrease) in inventory	-	(8,298)	(8,298)
June 30, 2016	\$ 15,681,615	\$ 9,529,443	\$ 25,211,058

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

HINDS COUNTY SCHOOL DISTRICT

Governmental Funds
**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (384,993)**

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

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

Capital outlay	\$ 1,196,067	
Depreciation expense	(1,768,392)	(572,325)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(86,575)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(1,848,000)	
Premiums on bonds and refunding bonds issued in prior year	(115,518)	
Increase in debt from prior year refunding	(275,000)	
Payments of debt principal	6,294,114	
Accrued interest payable	48,092	
Charges on refunding in prior year	390,518	4,494,206

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(7,382,172)	
Recording of contributions made subsequent to the measurement date	4,360,771	(3,021,401)

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

Change in compensated absences	(17,032)	
Change in inventory	(8,298)	
Amortization of deferred charges, premiums and discounts	(99,871)	(125,201)

Change in Net Position of governmental activities **\$ 303,711**

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

HINDS COUNTY SCHOOL DISTRICT

Fiduciary FundsStatement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 2,289,221
Due from other governments	84
Total Assets	<u>\$ 2,289,305</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,107,292
Due to other funds	105,827
Advances from other funds	1,058
Due to student clubs	75,128
Total Liabilities	<u>\$ 2,289,305</u>

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

NOTES TO THE FINANCIAL STATEMENTS

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

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.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

B. Government-wide and Fund Financial Statements, Continued

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:

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.

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.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

B. Government-wide and Fund Financial Statements, Continued

Student Club Funds – These various funds account for the monies raised through student club activities.

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.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

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

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

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

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

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

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

D. Encumbrances

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

E. Assets, liabilities, 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.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

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

Investments

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

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

Investments for the District are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

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

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 Zone Academy Bond sinking funds). Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the District except as provided for under state statute for loans from this fund. Capital related debt proceeds that are unspent at fiscal year end are also included as restricted assets on the Statement of Net Position.

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.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has incurred deferred outflows which are presented as a deferred outflow from advance refunding of debt and a deferred outflow related to pensions. See Note 15 for further details.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 15 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.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies, Continued

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

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

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 \$12,879,595 and \$2,289,221, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$11,976,507 and a portion of restricted assets in the amount of \$903,088 (see Note 4). The bank balance was \$17,189,910.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

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

Cash with Fiscal Agents

The carrying amount of School District's cash with fiscal agents held by financial institutions was \$8,873.

Investments

As of June 30, 2016, the District had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Investment Bonds	Various	1 to 20 years	\$ 10,609,645
MS Dev Bank Special Obligation Bonds	A2/AA/A+	1 to 5 years	106,160
Total			<u>\$ 10,715,805</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 input 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, 2016:

- Fidelity investment bonds of \$10,609,645 are valued using quoted market prices (Level 1 inputs)
- MS Dev Bank Special Obligation Bonds of \$106,160 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, 2016, the District did not have any investments to which this would apply.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

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

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	\$ 524,637
	Fiduciary funds	105,827
Other governmental funds	General Fund	2,315,000
Total		<u>\$ 2,945,464</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.

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	\$ 4,193,547
Other governmental funds	General Fund	222,782
	Other governmental funds	1,180,147
Total		<u>\$ 5,596,476</u>

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance and investment balance, totaling \$6,373 and \$106,160, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash, cash with fiscal agent and investment balance, totaling \$250, \$2,500 and \$467,491, respectively, of the MAEP Limited Obligation Bond Funds. Also included in restricted assets is the cash balance totaling \$902,838 of the Construction 2014 Fund and Construction 2016 Fund resulting from unspent proceeds of long-term debt.

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2016
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 30,914	\$ -	\$ -	\$ -	\$ -	30,914
Construction-in-progress	250,397	1,151,648	-	(1,402,045)	-	-
Total non-depreciable capital assets	281,311	1,151,648	-	(1,402,045)	-	30,914
<u>Depreciable capital assets:</u>						
Buildings	76,294,540	-	90,184	-	-	76,204,356
Building improvements	-	-	-	207,975	615,372	823,347
Improvements other than buildings	2,857,017	-	-	1,194,070	(615,372)	3,435,715
Mobile equipment	539,496	-	-	-	100,002	639,498
Furniture and equipment	2,196,323	44,419	-	-	8,501	2,249,243
Total depreciable capital assets	81,887,376	44,419	90,184	1,402,045	108,503	83,352,159
<u>Less accumulated depreciation for:</u>						
Buildings	22,369,214	1,486,647	3,609	-	-	23,852,252
Building improvements	-	32,934	-	-	221,534	254,468
Improvements other than buildings	1,752,464	133,859	-	-	(221,534)	1,664,789
Mobile equipment	382,050	37,515	-	-	14,323	433,888
Furniture and equipment	1,981,863	77,437	-	-	8,417	2,067,717
Total accumulated depreciation	26,485,591	1,768,392	3,609	-	22,740	28,273,114
Total depreciable capital assets, net	55,401,785	(1,723,973)	86,575	1,402,045	85,763	55,079,045
Governmental activities capital assets, net	\$ 55,683,096	\$ (572,325)	\$ 86,575	\$ -	\$ 85,763	\$ 55,109,959

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,680,730
Support services	86,743
Non-instructional	919
Total depreciation expense - Governmental activities	\$ 1,768,392

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Adjustments	Balance 6/30/2016	Amounts due within one year
A. General obligation bonds payable	\$ 11,140,000	\$ -	\$ 4,545,000	\$ -	\$ 6,595,000	\$ 4,610,000
B. Limited obligation bonds payable	2,378,000	-	787,000	-	1,591,000	790,000
C. Three mill notes payable	8,350,000	1,848,000	690,000	275,000	9,783,000	710,000
D. Performance leases payable	2,461,270	-	272,114	-	2,189,156	297,184
E. Compensated absences payable	218,885	17,032	-	-	235,917	11,796
Total	\$ 24,548,155	\$ 1,865,032	\$ 6,294,114	\$ 275,000	\$ 20,394,073	\$ 6,418,980
Bond premium	45,126	-	27,413	115,518	133,231	
Total	\$ 24,593,281	\$ 1,865,032	\$ 6,321,527	\$ 390,518	\$ 20,527,304	

An adjustment was needed to reflect the increase in long-term debt and bond premium related to the prior year refunding of Limited tax notes, Series 2006.

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2004	2.25-4.0%	12/30/2004	12/1/2017	\$ 3,560,000	\$ 400,000
2. General obligation refunding bonds, Series 2010-A	2.0-3.375%	4/20/2010	4/1/2019	3,065,000	1,100,000
3. General obligation refunding bonds, Series 2010-C	2.0-3.0%	4/20/2010	4/1/2017	2,345,000	365,000
4. General obligation refunding bonds, Series 2011	2.0-3.0%	7/28/2011	3/15/2018	8,770,000	4,730,000
Total				\$ 17,740,000	\$ 6,595,000

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 6 – Long-term Liabilities, Continued

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

1. General obligation refunding bonds issued on December 30, 2004:

Year Ending June 30	Principal	Interest	Total
2017	\$ 345,000	\$ 8,755	\$ 353,755
2018	55,000	1,100	56,100
Total	\$ 400,000	\$ 9,855	\$ 409,855

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

2. General obligation refunding bonds issued on April 20, 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ 355,000	\$ 35,337	\$ 390,337
2018	365,000	24,688	389,688
2019	380,000	12,825	392,825
Total	\$ 1,100,000	\$ 72,850	\$ 1,172,850

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

3. General obligation refunding bonds issued on April 20, 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ 365,000	\$ 10,950	\$ 375,950
Total	\$ 365,000	\$ 10,950	\$ 375,950

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

4. General obligation refunding bonds issued on July 28, 2011:

Year Ending June 30	Principal	Interest	Total
2017	\$ 3,545,000	\$ 124,175	\$ 3,669,175
2018	1,185,000	35,550	1,220,550
Total	\$ 4,730,000	\$ 159,725	\$ 4,889,725

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 6 – Long-term Liabilities, Continued

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 4,610,000	\$ 179,217	\$ 4,789,217
2018	1,605,000	61,338	1,666,338
2019	380,000	12,825	392,825
Total	\$ 6,595,000	\$ 253,380	\$ 6,848,380

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, 2016, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2015.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2015	1.362%	5/20/2015	3/1/2018	\$ 2,378,000	\$ 1,591,000
Total				\$ 2,378,000	\$ 1,591,000

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 790,000	\$ 21,669	\$ 811,669
2018	801,000	10,910	811,910
Total	\$ 1,591,000	\$ 32,579	\$ 1,623,579

This debt will be retired from the MAEP Retirement Fund.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 6 – Long-term Liabilities, Continued

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax refunding notes, Series 2010-B	2.0-3.0%	4/20/2010	3/1/2017	\$ 1,800,000	\$ 140,000
2. Limited tax refunding notes, Series 2015	2.0-3.0%	4/15/2015	4/1/2026	7,875,000	7,795,000
3. Limited tax notes, Series 2015B	2.95%	10/15/2015	4/1/2028	1,848,000	1,848,000
Total				<u>\$ 11,523,000</u>	<u>\$ 9,783,000</u>

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

1. Limited tax refunding notes issued on April 20, 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ 140,000	\$ 4,200	\$ 144,200
Total	<u>\$ 140,000</u>	<u>\$ 4,200</u>	<u>\$ 144,200</u>

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 6 – Long-term Liabilities, Continued

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 570,000	\$ 189,850	\$ 759,850
2018	735,000	178,450	913,450
2019	750,000	163,750	913,750
2020	765,000	148,750	913,750
2021	785,000	133,450	918,450
2022 – 2026	4,190,000	376,350	4,566,350
Total	\$ 7,795,000	\$ 1,190,600	\$ 8,985,600

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 54,516	\$ 54,516
2018	-	54,516	54,516
2019	-	54,516	54,516
2020	-	54,516	54,516
2021	-	54,516	54,516
2022 – 2026	-	272,580	272,580
2027 – 2028	1,848,000	82,128	1,930,128
Total	\$ 1,848,000	\$ 627,288	\$ 2,475,288

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 6 – Long-term Liabilities, Continued

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 710,000	\$ 248,566	\$ 958,566
2018	735,000	232,966	967,966
2019	750,000	218,266	968,266
2020	765,000	203,266	968,266
2021	785,000	187,966	972,966
2022 – 2026	4,190,000	648,930	4,838,930
2027 – 2028	1,848,000	82,128	1,930,128
Total	<u>\$ 9,783,000</u>	<u>\$ 1,822,088</u>	<u>\$ 11,605,088</u>

D. Performance leases payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Performance Leasing 2007	4.95%	12/27/2007	6/14/2022	\$ 2,823,075	\$ 1,644,517
2. Performance Leasing 2008	4.95%	1/14/2008	5/14/2022	938,625	544,639
Total				<u>\$ 3,761,700</u>	<u>\$ 2,189,156</u>

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

1. Performance lease issued on December 27, 2007:

Year Ending June 30	Principal	Interest	Total
2017	\$ 222,754	\$ 76,423	\$ 299,177
2018	242,766	64,948	307,714
2019	264,396	52,447	316,843
2020	287,470	38,842	326,312
2021	312,002	24,062	336,064
2022	315,129	8,032	323,161
Total	<u>\$ 1,644,517</u>	<u>\$ 264,754</u>	<u>\$ 1,909,271</u>

This debt will be retired from the District Maintenance Fund.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 6 – Long-term Liabilities, Continued

2. Performance lease issued on January 14, 2008:

Year Ending June 30	Principal	Interest	Total
2017	\$ 74,430	\$ 25,296	\$ 99,726
2018	81,110	21,461	102,571
2019	88,330	17,285	105,615
2020	96,031	12,740	108,771
2021	104,219	7,802	112,021
2022	100,519	2,459	102,978
Total	\$ 544,639	\$ 87,043	\$ 631,682

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
2017	\$ 297,184	\$ 101,719	\$ 398,903
2018	323,876	86,409	410,285
2019	352,726	69,732	422,458
2020	383,501	51,582	435,083
2021	416,221	31,864	448,085
2022	415,648	10,491	426,139
Total	\$ 2,189,156	\$ 351,797	\$ 2,540,953

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

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

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 6 – Long-term Liabilities, Continued

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

E. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 7 – Defined Benefit Pension Plan, Continued

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

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, 2016 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, 2016, 2015 and 2014 were \$4,360,771, \$4,401,730 and \$4,213,287, 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, 2016, the School District reported a liability of \$69,150,561 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2016 net pension liability was 0.447344 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.009557 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 7 – Defined Benefit Pension Plan, Continued

For the year ended June 30, 2016, the District recognized pension expense of \$7,382,172. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,594,963	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,731,154
Changes of assumptions	5,957,085	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,646,334	-
District contributions subsequent to the measurement date	4,360,771	-
Total	\$ <u>13,559,153</u>	\$ <u>1,731,154</u>

\$4,360,771 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, 2017. 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 ended June 30:	Amount
2017	\$ 2,733,485
2018	2,564,185
2019	1,158,046
2020	1,011,512

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 7 – Defined Benefit Pension Plan, Continued

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan. 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 presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, 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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 7 – Defined Benefit Pension Plan, Continued

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 91,146,774	\$ 69,150,561	\$ 50,897,816

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 – 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
2017	\$ 466,030
2018	408,474
2019	397,967
2020	356,765
2021	183,823
2022 – 2026	841,133
2027 – 2031	734,139
2032 – 2036	664,613
2037 – 2041	470,005
Thereafter	474,258
Total	<u>\$ 4,997,207</u>

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation		Amount
1. To correct capital asset balances for items purchased in a prior year but not reported in prior year capital asset balances	\$	85,763
2. To record effect of prior year refunding of long-term debt		(92,814)
Total	\$	<u>(7,051)</u>

Note 10 – 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 11 – 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 12 – Alternative School Consortium

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

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued For Year Ended June 30, 2016

Note 12 – Alternative School Consortium, Continued

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

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

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

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2016

Revenues

Local sources	\$ -
State sources	-
Federal sources	-
Total Revenues	<u>-</u>

Expenditures

Salaries	421,372
Employee benefits	138,079
Purchased professional and technical services	52,738
Purchased property services	106,126
Other purchased services	2,899
Supplies	14,881
Property	4,255
Other	1,835
Total Expenditures	<u>742,185</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(742,185)</u>
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Other Financing Sources/Uses:

Transfers in	742,147
Total Other Financing Sources/Uses	<u>742,147</u>

Net Change in Fund Balance	<u>(38)</u>
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Fund Balance:

July 1, 2015	<u>71</u>
June 30, 2016	<u>\$ 33</u>

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

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

Note 14 - Insurance loss recoveries

Hinds County School District received \$126,519 in insurance loss recoveries during the 2015-2016 fiscal year related to water damage to flooring at Bolton Edwards Middle School. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$38,336,229 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of School District debt. The \$469,766 balance of the deferred outflow of resources at June 30, 2016, will be recognized as an expense and decrease the net investment in capital assets net position over the next 10 years.

The unrestricted net position amount of (\$44,067,078) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$4,360,771 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$9,198,382 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$1,731,154 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

HINDS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements, Continued
For Year Ended June 30, 2016

Note 16 – Other Commitments

On July 9, 2015, the Hinds County School District and Claiborne County School District entered into a Cooperative Cost-per-Image Agreement (CPI) for Copying and Printing Services with Logista. Logista has agreed to provide the equipment, including applicable software and services to render it continually operational. This is a 48 month agreement that consists of four (4) annual minimums of 26,040,000 mono images and 780,000 color images annually. There are to be twelve (12) monthly installments for 2,170,000 mono images and 65,000 color images per contract year. Any overage rates apply only to mono and color images above these two annual minimum volumes per contract year. Overages, if applicable, are to be applied at the end of the twelfth month of each contract year for the duration of the contract period. Therefore at June 30, 2016 there were no operating lease expenditures as a result of the above CPI agreement.

Note 17 - 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 March 27, 2017, and determined that no events requiring disclosure have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 20,722,049	\$ 20,722,049	\$ 20,986,458	\$ -	\$ 264,409
State sources	28,548,742	28,548,742	27,210,223	-	(1,338,519)
Federal sources	280,000	280,000	222,549	-	(57,451)
Sixteenth section sources	-	-	863,190	-	863,190
Total Revenues	49,550,791	49,550,791	49,282,420	-	(268,371)
Expenditures:					
Instruction	28,717,435	25,989,763	25,709,353	2,727,672	280,410
Support services	20,802,952	21,891,242	21,891,242	(1,088,290)	-
Sixteenth section	-	109,379	109,379	(109,379)	-
Facilities acquisition and construction	25,000	-	-	25,000	-
Debt service:					
Principal	275,000	274,137	272,114	863	2,023
Interest	100,000	114,626	115,751	(14,626)	(1,125)
Total Expenditures	49,920,387	48,379,147	48,097,839	1,541,240	281,308
Excess (Deficiency) of Revenues over (under) Expenditures	(369,596)	1,171,644	1,184,581	1,541,240	12,937
Other Financing Sources (Uses):					
Insurance recovery	50,000	50,000	126,519	-	76,519
Operating transfers in	6,011,273	6,011,273	222,782	-	(5,788,491)
Other financing sources	-	-	400,000	-	400,000
Operating transfers out	(5,691,677)	(8,698,431)	(4,193,547)	(3,006,754)	4,504,884
Total Other Financing Sources (Uses)	369,596	(2,637,158)	(3,444,246)	(3,006,754)	(807,088)
Net Change in Fund Balances	-	(1,465,514)	(2,259,665)	(1,465,514)	(794,151)
Fund Balances:					
July 1, 2015	17,878,318	17,878,318	17,941,280	-	62,962
June 30, 2016	\$ 17,878,318	\$ 16,412,804	\$ 15,681,615	\$ (1,465,514)	\$ (731,189)

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

HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.447344%	0.437787%
District's proportionate share of the net pension liability (asset)	\$ 69,150,561	53,139,326
District's covered-employee payroll	27,947,492	26,751,029
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62%	67%

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

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

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

HINDS COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,360,771	4,401,730
Contributions in relation to the contractually required contribution	4,360,771	4,401,730
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
District's covered-employee payroll	27,687,435	27,947,492
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, 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
Notes to the Required Supplementary Information

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

In 2015 and later, 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. In 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. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

The accompanying notes are an integral part of this schedule.

SUPPLEMENTARY INFORMATION

HINDS COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Schedule I

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 763,520
National School Lunch Program	10.555	2,696,304
Summer Food Service Program for Children	10.559	20,672
Total Child Nutrition Cluster		<u>3,480,496</u>
Total passed-through Mississippi Department of Education		<u>3,480,496</u>
Total U. S. Department of Agriculture		<u><u>3,480,496</u></u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	140,250
Total U.S. Department of Defense		<u><u>140,250</u></u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	99,651
Total Federal Communications Commission		<u><u>99,651</u></u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Vocational Education – Basic Grants to States	84.048	49,332
Twenty First Century Community Learning Centers	84.287	439,762
Rural Education	84.358	11,408
Improving Teacher Quality State Grants	84.367	353,540
Subtotal		<u>854,042</u>
Title I:		
Title I Grants to Local Educational Agencies	84.010	1,576,747
Total Title I Cluster		<u>1,576,747</u>
Special Education Cluster:		
Special education - grants to states	84.027	1,165,051
Special education - preschool grants	84.173	51,336
Total Special Education Cluster		<u>1,216,387</u>
Total Passed-through Mississippi Department of Education		<u>3,647,176</u>
Total U. S. Department of Education		<u><u>3,647,176</u></u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	122,115
Total Passed-through Mississippi Department of Education		<u>122,115</u>
Total U. S. Department of Health and Human Services		<u><u>122,115</u></u>
 Total for All Federal Awards		 \$ <u><u>7,489,688</u></u>

See the Independent Auditors' Report on Supplementary Information.

HINDS COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. - Schedule of Expenditures of Federal Awards:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all Federal award programs of **Hinds County School District (the School District)** that were received directly from Federal agencies or passed through other entities.

The School District has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Uniform Guidance stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of each Federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

NOTE 2. - Basis of Presentation:

The Schedule includes the federal grant activity of **the School District** and is presented on the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. – The expenditure amounts include transfers out.

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

See the Independent Auditors' Report on Supplementary Information.

HINDS COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

Schedule II

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 37,058,528	\$ 29,656,603	\$ 1,851,824	\$ 3,511,574	\$ 2,038,527
Other	28,071,183	3,781,420	1,304,134	158,733	22,826,896
Total	<u>\$ 65,129,711</u>	<u>33,438,023</u>	<u>3,155,958</u>	<u>3,670,307</u>	<u>24,865,423</u>
Total number of students *	<u>5,567</u>				
Cost per student	\$ 11,699	\$ 6,006	\$ 567	\$ 659	\$ 4,467

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

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

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

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

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

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

See the Independent Auditors' Report on Supplementary Information.

OTHER INFORMATION

HINDS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

Schedule III

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 20,986,458	\$ 20,044,015	\$ 19,914,261	\$ 19,816,513
State sources	27,210,223	25,976,276	24,717,455	24,669,759
Federal sources	222,549	293,128	137,256	207,024
Sixteenth section sources	863,190	790,854	-	-
Total Revenues	<u>49,282,420</u>	<u>47,104,273</u>	<u>44,768,972</u>	<u>44,693,296</u>
Expenditures:				
Instruction	25,709,353	27,208,274	24,491,932	23,310,563
Support services	21,891,242	21,937,785	22,936,236	20,945,466
Noninstructional services	-	-	-	-
Sixteenth section	109,379	-	-	-
Facilities acquisition and construction	-	75,721	90,184	-
Debt service:				
Principal	272,114	248,581	226,497	205,787
Interest	115,751	128,585	140,290	150,942
Total Expenditures	<u>48,097,839</u>	<u>49,598,946</u>	<u>47,885,139</u>	<u>44,612,758</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,184,581</u>	<u>(2,494,673)</u>	<u>(3,116,167)</u>	<u>80,538</u>
Other Financing Sources (Uses):				
Insurance loss recovery	126,519	91,723	36,679	43,395
Operating transfer in	222,782	131,733	128,100	591,181
Other Financing Sources	400,000	1,700,000	-	-
Operating transfers out	(4,193,547)	(1,143,224)	(929,504)	(1,251,161)
Total Other Financing Sources (Uses)	<u>(3,444,246)</u>	<u>780,232</u>	<u>(764,725)</u>	<u>(616,585)</u>
Net Change in Fund Balances	<u>(2,259,665)</u>	<u>(1,714,441)</u>	<u>(3,880,892)</u>	<u>(536,047)</u>
Fund Balances:				
Beginning of period, as previously reported	17,941,280	12,570,268	16,473,367	17,034,740
Funds Reclassification	-	7,085,453	(22,207)	(25,326)
Beginning of period, as restated	<u>-</u>	<u>19,655,721</u>	<u>16,451,160</u>	<u>17,009,414</u>
End of Period	<u>\$ 15,681,615</u>	<u>\$ 17,941,280</u>	<u>\$ 12,570,268</u>	<u>\$ 16,473,367</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.

Hinds County School District

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

Schedule IV

All Governmental Funds

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 25,350,694	\$ 25,395,386	\$ 26,721,325	\$ 27,083,166
Intermediate source	-	-	-	47,377
State sources	28,611,827	27,524,490	26,059,859	25,993,720
Federal sources	7,489,688	6,816,975	6,553,425	6,397,497
Sixteenth section sources	917,989	834,163	756,811	613,356
Total Revenues	<u>62,370,198</u>	<u>60,571,014</u>	<u>60,091,420</u>	<u>60,135,116</u>
Expenditures:				
Instruction	29,242,587	30,162,246	27,215,146	25,995,658
Support services	23,826,005	24,183,488	25,123,053	23,339,373
Noninstructional services	3,751,365	3,611,895	3,432,408	3,326,184
Sixteenth section	109,495	75,961	103,778	73,816
Facilities acquisition and construction	1,151,648	250,397	90,184	288,041
Debt service:				
Principal	6,294,114	5,748,581	5,526,497	5,310,787
Interest	664,095	1,050,920	1,246,568	1,424,594
Other	90,401	49,530	8,548	11,548
Total Expenditures	<u>65,129,710</u>	<u>65,133,018</u>	<u>62,746,182</u>	<u>59,770,001</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,759,512)</u>	<u>(4,562,004)</u>	<u>(2,654,762)</u>	<u>365,115</u>
Other Financing Sources (Uses):				
Bonds and notes issued	1,848,000	-	-	-
Insurance recovery	126,519	91,723	36,679	-
Proceeds of refunding bonds/notes	-	2,378,000	-	-
Premium on debt insurance	-	-	-	43,395
Operating transfers in	5,596,476	1,519,460	1,305,376	2,037,706
Other financing sources	400,000	1,700,000	-	-
Operating transfers out	(5,596,476)	(1,519,460)	(1,305,376)	(2,037,706)
Payment to refunded bond escrow agent	-	(2,338,634)	-	-
Total Other Financing Sources (Uses)	<u>2,374,519</u>	<u>1,831,089</u>	<u>36,679</u>	<u>43,395</u>
Net Change in Fund Balances	<u>(384,993)</u>	<u>(2,730,915)</u>	<u>(2,618,083)</u>	<u>408,510</u>
Fund Balances:				
Beginning of period, as previously reported	25,604,349	28,323,436	30,970,331	30,573,073
Prior period adjustments	-	-	(21,207)	(25,550)
Beginning of period, as restated	<u>25,604,349</u>	<u>28,323,436</u>	<u>30,949,124</u>	<u>30,547,523</u>
Increase (Decrease) in reserve for inventory	<u>(8,298)</u>	<u>11,828</u>	<u>(7,605)</u>	<u>14,298</u>
End of Period	<u>\$ 25,211,058</u>	<u>\$ 25,604,349</u>	<u>\$ 28,323,436</u>	<u>\$ 30,970,331</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

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

Superintendent and School Board
Hinds County School District
Raymond, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinds County School District (the School District), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
Jackson, Mississippi

March 27, 2017



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

Superintendent and School Board
Hinds County School District
Raymond, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the Hinds County School District's compliance with the types of compliance described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the summary of independent auditors' results section of the accompanying summary schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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

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

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

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

March 27, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Hinds County School District
Raymond, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinds County School District (the School District) as of and for the year ended June 30, 2016, which collectively comprise of the School District's basic financial statements and have issued our report thereon dated March 27, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding 001

Section 29-3-119, Miss. Code Ann. (1972) requires that Mississippi Public School Districts where a township (not a 'section') is occupied by two or more School Districts determine that nonexpendable revenues have been shared with/from the other districts. During our test work we noted that the District properly calculated its shared revenues but payments were not made until after the fiscal year end on December 16, 2016.

Recommendation

We recommend that the district comply with state law Section 29-3-119, Miss. Code Ann. (1972) and closely monitor the timely filing and payment of the nonexpendable 16th section shared revenues to the respective districts.

Response

The district will implement proper controls to ensure proper and timely calculation, filing and payments of shared revenues with the respectable districts owed.

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

The School District's response to the finding included in this report was not audited and accordingly, we express no opinion on it.

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


BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
Jackson, Mississippi

March 27, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I: Summary of Auditors' Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| | |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| | |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| | |
| 5. Type of auditors' report issued on compliance for major programs: | Unmodified |
| | |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555; 10.559	Child Nutrition Cluster
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grant

- | | |
|---|---------------------------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee | _____ Yes <u> X </u> No |

HINDS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2016

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

HINDS COUNTY SCHOOL DISTRICT
Status of Prior Year Audit Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I: Financial Statement Finding

No matter reported

Section II: Federal Awards Finding and Questioned Costs

No matter reported

Section III: Management Letter

No matter reported