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## **HINDS COUNTY SCHOOL DISTRICT**

Audited Financial Statements  
For the Year Ended June 30, 2017

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# HINDS COUNTY SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' REPORT**



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

## 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, 2017, 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, 2017, 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 School District Contributions on pages 7-16, 57, 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 April 27, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hinds County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

April 27, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

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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, 2017. 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 2017 increased \$155,650, including a prior period adjustment of \$39,189, which represents a 5.53% increase from fiscal year 2016. 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.
- General revenues amounted to \$55,253,902 and \$53,250,131, or 86% and 85% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,069,352, or 14% of total revenues for 2017, and \$9,646,586, or 15% of total revenues for 2016.
- The School District had \$64,206,793 and \$62,593,006 in expenses for fiscal years 2017 and 2016; only \$9,069,352 for 2017 and \$9,646,586 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$55,253,902 for 2017 and \$53,250,131 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$50,176,025 in revenues and \$47,893,491 in expenditures for 2017, and \$49,282,420 in revenues and \$48,097,839 in expenditures in 2016. The General Fund's fund balance increased by \$2,128,809 from 2016 to 2017, including a prior period adjustment of \$24,389, and decreased by \$2,259,665 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$1,291,061 for 2017 and decreased by \$573,137 for 2016. The increase for 2017 was due to the ongoing construction and or renovation of school facilities, the addition of buildings and building improvements, and the purchase of various items of mobile equipment and furniture and equipment.
- Long-term debt, excluding bond premium, increased by \$871,540 for 2017 and decreased by \$4,154,082 for 2016. The increase for 2017 was due primarily to the issuance of three mill notes payable during the fiscal year. The liability for compensated absences increased by \$28,724 for 2017 and increased by \$17,032 for 2016.



**HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

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## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the School 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 School 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 School 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 School 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 School 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 School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School 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, 2017

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## **Fund Financial Statements**

### **Governmental funds, Continued**

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 School 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 School 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 School 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.



**HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Reconciliation of Government-wide and Fund Financial Statements, Continued**

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the New Pension Liability, and Schedule of School 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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the School District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,972,252 as of June 30, 2017.

**HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Net position, Continued**

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

Table 1 presents a summary of the School District's net position at June 30, 2017 and June 30, 2016.

**Table 1  
Condensed Statements of Net Position**

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 25,577,194	\$ 24,272,516	5.38 %
Restricted assets	5,938,113	1,485,612	299.71 %
Capital assets, net	56,401,020	55,109,959	2.34 %
<b>Total assets</b>	<b>87,916,327</b>	<b>80,868,087</b>	<b>8.72 %</b>
 <b>Deferred outflows of resources</b>	 <b>16,720,484</b>	 <b>14,028,919</b>	 <b>19.19 %</b>
 Current liabilities	 1,134,183	 671,385	 68.93 %
Long-term debt outstanding	21,371,428	20,527,304	4.11 %
Net pension liability	77,309,423	69,150,561	11.80 %
<b>Total liabilities</b>	<b>99,815,034</b>	<b>90,349,250</b>	<b>10.48 %</b>
 <b>Deferred inflows of resources</b>	 <b>1,849,525</b>	 <b>1,731,154</b>	 <b>6.84 %</b>
 <b>Net position:</b>			
Net investment in capital assets	42,362,998	38,336,229	10.50 %
Restricted	7,737,442	8,547,451	(9.48) %
Unrestricted	(47,128,188)	(44,067,078)	(6.95) %
<b>Total net position</b>	<b>\$ 2,972,252</b>	<b>\$ 2,816,602</b>	<b>5.53 %</b>

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)	\$ (47,128,188)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	62,780,941
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 15,652,753</u>

**HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position, Continued**

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

- Increase in net capital assets in the amount of \$1,291,061.
- The issuance of three mill notes in the amount of \$7,250,000.
- The principal retirement of \$6,407,184 of long-term debt.
- Recognition of the net pension liability in the amount of \$77,309,423.

**Changes in net position**

The School District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$64,323,254 and \$62,896,717, respectively. The total cost of all programs and services was \$64,206,793 for 2017 and \$62,593,006 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,622,433	\$ 1,592,356	1.89 %
Operating grants and contributions	7,446,919	8,054,230	(7.54) %
General revenues:			
Property taxes	26,618,826	23,350,192	14.00 %
Grants and contributions not restricted	27,550,788	28,047,284	(1.77) %
Investment earnings	88,374	349,500	(74.71) %
Sixteenth section sources	711,289	706,189	0.72 %
Other	284,625	796,966	(64.29) %
<b>Total revenues</b>	<b>64,323,254</b>	<b>62,896,717</b>	<b>2.27 %</b>
<b>Expenses:</b>			
Instruction	26,392,756	27,820,193	(5.13) %
Support services	23,320,453	22,794,329	2.31 %
Non-instructional	3,632,532	3,680,542	(1.30) %
Sixteenth section	205,893	109,495	88.04 %
Pension expense	9,718,226	7,382,172	31.64 %
Interest on long-term liabilities	936,933	806,275	16.21 %
<b>Total expenses</b>	<b>64,206,793</b>	<b>62,593,006</b>	<b>2.58 %</b>
<b>Increase (Decrease) in net position</b>	<b>116,461</b>	<b>303,711</b>	<b>(61.65) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>2,816,602</b>	<b>2,519,942</b>	<b>11.77 %</b>
<b>Prior Period Adjustment</b>	<b>39,189</b>	<b>(7,051)</b>	<b>655.79 %</b>
<b>Net Position, July 1, as restated</b>	<b>2,855,791</b>	<b>2,512,891</b>	<b>13.65 %</b>
<b>Net Position, June 30</b>	<b>\$ 2,972,252</b>	<b>\$ 2,816,602</b>	<b>5.53 %</b>



**HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

**Governmental activities**

The following table presents the cost of six major School 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 School District's taxpayers by each of these functions.

**Table 3  
Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 26,392,756	\$ 27,820,193	(5.13) %
Support services	23,320,453	22,794,329	2.31 %
Non-instructional	3,632,532	3,680,542	(1.30) %
Sixteenth section	205,893	109,495	88.04 %
Pension Expense	9,718,226	7,382,172	31.64 %
Interest on long-term liabilities	936,933	806,275	16.21 %
<b>Total expenses</b>	<b>\$ 64,206,793</b>	<b>\$ 62,593,006</b>	<b>2.58 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ (22,979,484)	\$ (23,847,989)	(3.64) %
Support services	(21,697,227)	(21,144,418)	2.61 %
Non-instructional	359,846	296,174	21.50 %
Sixteenth section	(165,417)	(61,740)	167.93 %
Pension Expense	(9,718,226)	(7,382,172)	31.64 %
Interest on long-term liabilities	(936,933)	(806,275)	16.21 %
<b>Total net (expense) revenue</b>	<b>\$ (55,137,441)</b>	<b>\$ (52,946,420)</b>	<b>4.14 %</b>

- Net cost of governmental activities (\$55,137,441 for 2017 and \$52,946,420 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$26,618,826 for 2017 and \$23,350,192 for 2016) and state and federal revenues (\$27,550,788 for 2017 and \$28,047,284 for 2016). In addition, there was \$711,289 and \$706,189 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$88,374 for 2017 and \$349,500 for 2016.

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

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

**HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Governmental funds, Continued**

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

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$30,515,057, an increase of \$5,303,999, which includes a prior period adjustment of \$28,974 and an increase in inventory of \$15,321. \$11,215,515, or 37% 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 \$19,299,542, or 63% 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 School District. The increase in fund balance in the General Fund for the fiscal year was \$2,128,809, which includes a prior period adjustment of \$24,389. The fund balance of Other Governmental Funds showed a decrease in the amount of \$800,391, which includes a prior period adjustment of \$3,690 and an increase in inventory of \$15,321. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic Fund	no increase or decrease
Construction 2014 Fund	\$ 4,834,311
Construction 2016 Fund	\$ (858,730)

**BUDGETARY HIGHLIGHTS**

During the year, the School 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 School District's total revenues and expenditures.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2017, the School District's total capital assets were \$86,315,273, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment.



HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION, Continued**

This amount represents a gross increase of \$2,932,200 from 2016, due primarily to the ongoing construction and/or renovation of school facilities, the addition of buildings and building improvements, and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2017, was \$29,914,253, and total depreciation expense for the year was \$1,773,410, resulting in total net capital assets of \$56,401,020.

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

	June 30, 2017	June 30, 2016	Percentage Change
Land	\$ 30,914	\$ 30,914	- %
Construction in Progress	2,690,136	-	N/A %
Buildings	50,962,761	52,352,104	(2.65) %
Building improvements	781,814	568,879	37.43 %
Improvements other than buildings	1,637,066	1,770,926	(7.56) %
Mobile equipment	168,638	205,610	(17.98) %
Furniture and equipment	129,691	181,526	(28.56) %
<b>Total</b>	<b>\$ 56,401,020</b>	<b>\$ 55,109,959</b>	<b>2.34 %</b>

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

**Debt Administration.** At June 30, 2017, the School District had \$21,265,613 in outstanding long-term debt, of which \$3,478,108 is due within one year. During the fiscal year, the School District received proceeds from the issuance of a three mill note in the amount of \$7,250,000. The School District made principal payments totaling \$6,407,184 on outstanding long-term debt. The liability for compensated absences increased \$28,724 from the prior year.

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

	June 30, 2017	June 30, 2016	Percentage Change
General obligation bonds payable	\$ 1,985,000	\$ 6,595,000	(69.90) %
Limited obligation bonds payable	801,000	1,591,000	(49.65) %
Three mill notes payable	16,323,000	9,783,000	66.85 %
Performance leases payable	1,891,972	2,189,156	(13.58) %
Compensated absences payable	264,641	235,917	12.18 %
<b>Total</b>	<b>21,265,613</b>	<b>20,394,073</b>	<b>4.27 %</b>
Bond premium	105,815	133,231	(20.58) %
<b>Total</b>	<b>\$ 21,371,428</b>	<b>\$ 20,527,304</b>	<b>4.11 %</b>

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



**HINDS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

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**CURRENT ISSUES**

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

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

The School 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, 2017**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 13,645,831
Investments	10,130,635
Due from other governments	1,708,516
Inventories	92,212
Restricted assets	5,938,113
Capital assets, non-depreciable:	
Land	30,914
Construction in progress	2,690,136
Capital assets, net of accumulated depreciation:	
Buildings	50,962,761
Building improvements	781,814
Improvements other than buildings	1,637,066
Mobile equipment	168,638
Furniture and equipment	129,691
Total Assets	<u>87,916,327</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows from advance refunding of debt	342,477
Deferred outflows related to pensions	16,378,007
Total Deferred Outflows of Resources	<u>16,720,484</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	1,000,250
Interest payable on long-term liabilities	133,933
Long-term liabilities, due within one year:	
Capital related liabilities	3,141,000
Non-capital related liabilities	337,108
Long-term liabilities, due beyond one year:	
Capital related liabilities	15,968,000
Capital related bond premiums	105,815
Non-capital related liabilities	1,819,505
Net pension liability	77,309,423
Total Liabilities	<u>99,815,034</u>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	1,849,525
Total Deferred Inflows of Resources	<u>1,849,525</u>
 <b>Net Position</b>	
Net investment in capital assets	42,362,998
Restricted for:	
Expendable:	
School-based activities	4,626,682
Debt service	2,058,560
Forestry improvements	573,897
Unemployment benefits	364,905
Non-expendable:	
Sixteenth section	113,398
Unrestricted (deficit)	(47,128,188)
Total Net Position	<u>\$ 2,972,252</u>

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

**HINDS COUNTY SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2017**

**Exhibit B**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 26,392,756	\$ 531,702	\$ 2,881,570	\$ -	\$ (22,979,484)
Support services	23,320,453	265,262	1,357,964	-	(21,697,227)
Non-instructional	3,632,532	784,993	3,207,385	-	359,846
Sixteenth section	205,893	40,476	-	-	(165,417)
Pension expense	9,718,226	-	-	-	(9,718,226)
Interest on long-term liabilities	936,933	-	-	-	(936,933)
Total Governmental Activities	\$ 64,206,793	\$ 1,622,433	\$ 7,446,919	\$ -	\$ (55,137,441)

General Revenues:

Taxes:

General purpose levies 21,606,144

Debt purpose levies 5,012,682

Unrestricted grants and contributions:

State 27,427,297

Federal 123,491

Unrestricted investment earnings 88,374

Sixteenth section sources 711,289

Other 284,625

Total General Revenues 55,253,902

Change in Net Position 116,461

Net Position - Beginning, as previously reported 2,816,602

Prior Period Adjustments 39,189

Net Position - Beginning, as restated 2,855,791

Net Position - Ending \$ 2,972,252

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

## HINDS COUNTY SCHOOL DISTRICT

**Governmental Funds**

Balance Sheet

Exhibit C

June 30, 2017

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Basic Fund	Construction 2014 Fund	Construction 2016 Fund		
<b>Assets</b>						
Cash and cash equivalents	\$ 7,345,154	\$ 1,375	\$ 4,881,314	\$ 450,345	\$ 6,299,552	\$ 18,977,740
Cash with fiscal agents	-	-	-	-	34,189	34,189
Investments	9,760,134	-	-	-	942,516	10,702,650
Due from other governments	785,066	145,361	-	-	671,078	1,601,505
Due from other funds	368,409	-	-	-	-	368,409
Advance to other funds	1,058	-	-	-	-	1,058
Inventories	-	-	-	-	92,212	92,212
Total assets	\$ 18,259,821	\$ 146,736	\$ 4,881,314	\$ 450,345	\$ 8,039,547	\$ 31,777,763
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 449,397	\$ 1,375	\$ 46,998	\$ 450,345	\$ 52,135	\$ 1,000,250
Due to other funds	-	145,361	-	-	117,095	262,456
Total Liabilities	449,397	146,736	46,998	450,345	169,230	1,262,706
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	-	92,212	92,212
Permanent fund principal	-	-	-	-	113,398	113,398
Advances	1,058	-	-	-	-	1,058
<b>Restricted:</b>						
Debt service	-	-	-	-	2,192,493	2,192,493
Capital projects	-	-	4,834,316	-	-	4,834,316
Forestry improvement purposes	-	-	-	-	573,897	573,897
Grant activities	-	-	-	-	3,481,562	3,481,562
Unemployment benefits	-	-	-	-	364,905	364,905
Child nutrition	-	-	-	-	1,051,850	1,051,850
<b>Assigned:</b>						
Improvement of facilities	6,391,105	-	-	-	-	6,391,105
Activity funds	202,746	-	-	-	-	202,746
<b>Unassigned</b>	11,215,515	-	-	-	-	11,215,515
Total Fund Balances	17,810,424	-	4,834,316	-	7,870,317	30,515,057
Total Liabilities and Fund Balances	\$ 18,259,821	\$ 146,736	\$ 4,881,314	\$ 450,345	\$ 8,039,547	\$ 31,777,763

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

## HINDS COUNTY SCHOOL DISTRICT

**Governmental Funds****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017****Exhibit C-1**

**Total fund balances for governmental funds** \$ 30,515,057

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	
Construction in progress	2,690,136	
Buildings	76,307,142	
Building improvements	1,079,460	
Improvements other than buildings	3,435,715	
Mobile equipment	550,410	
Furniture and equipment	2,221,496	
Accumulated depreciation	<u>(29,914,253)</u>	56,401,020

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 (77,309,423)

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	16,378,007	
Deferred inflows of resources related to pensions	<u>(1,849,525)</u>	(62,780,941)

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	(1,985,000)	
Limited obligation bonds	(801,000)	
Notes payable	(16,323,000)	
Performance leases payable	(1,891,972)	
Compensated absences	(264,641)	
Unamortized charges	342,477	
Unamortized premiums	(105,815)	
Accrued interest payable	<u>(133,933)</u>	<u>(21,162,884)</u>

**Net Position of governmental activities** \$ 2,972,252

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



## HINDS COUNTY SCHOOL DISTRICT

## Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2017

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Basic Fund	Construction 2014 Fund	Construction 2016 Fund		
<b>Revenues:</b>						
Local sources	\$ 22,565,737	\$ -	\$ 2,385	\$ 123	\$ 5,744,884	\$ 28,313,129
State sources	26,780,859	-	-	-	1,297,041	28,077,900
Federal sources	123,491	1,549,673	-	-	5,246,644	6,919,808
Sixteenth section sources	705,938	-	-	-	41,217	747,155
Total Revenues	50,176,025	1,549,673	2,385	123	12,329,786	64,057,992
<b>Expenditures:</b>						
Instruction	24,599,955	1,154,016	-	-	1,922,561	27,676,532
Support services	22,585,954	113,450	106,858	59,570	1,629,438	24,495,270
Noninstructional services	-	23,335	-	-	3,632,369	3,655,704
Sixteenth section	205,893	-	-	-	-	205,893
Facilities acquisition and construction	102,786	-	840,811	2,105,438	-	3,049,035
Debt service:						
Principal	297,184	-	-	-	6,110,000	6,407,184
Interest	101,719	-	-	-	553,046	654,765
Other	-	-	164,250	-	8,427	172,677
Total Expenditures	47,893,491	1,290,801	1,111,919	2,165,008	13,855,841	66,317,060
Excess (Deficiency) of Revenues over (under) Expenditures	2,282,534	258,872	(1,109,534)	(2,164,885)	(1,526,055)	(2,259,068)
<b>Other Financing Sources (Uses):</b>						
Bonds and notes issued	-	-	7,250,000	-	-	7,250,000
Insurance recovery	265,262	-	-	-	-	265,262
Sale of transportation equipment	3,510	-	-	-	-	3,510
Operating transfers in	430,634	-	440,000	1,746,155	1,157,921	3,774,710
Operating transfers out	(877,520)	(259,767)	(1,746,155)	(440,000)	(451,268)	(3,774,710)
Total Other Financing Sources (Uses)	(178,114)	(259,767)	5,943,845	1,306,155	706,653	7,518,772
Net Change in Fund Balances	2,104,420	(895)	4,834,311	(858,730)	(819,402)	5,259,704
<b>Fund Balances:</b>						
July 1, 2016, as previously reported	15,681,615	-	5	858,730	8,670,708	25,211,058
Prior period adjustments	24,389	895	-	-	3,690	28,974
July 1, 2016, as restated	15,706,004	895	5	858,730	8,674,398	25,240,032
Increase (Decrease) in inventory	-	-	-	-	15,321	15,321
June 30, 2017	\$ 17,810,424	\$ -	\$ 4,834,316	\$ -	\$ 7,870,317	\$ 30,515,057

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

**HINDS COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2017**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 5,259,704

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	\$ 3,064,703	
Depreciation expense	<u>(1,773,410)</u>	1,291,293

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. (10,447)

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	(7,250,000)	
Payments of debt principal	6,407,184	
Accrued interest payable	<u>(9,618)</u>	(852,434)

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	(9,718,226)	
Recording of contributions made subsequent to the measurement date	<u>4,259,847</u>	(5,458,379)

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	(28,724)	
Change in inventory	15,321	
Amortization of deferred charges, premiums and discounts	<u>(99,873)</u>	<u>(113,276)</u>

**Change in Net Position of governmental activities** \$ 116,461

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



## HINDS COUNTY SCHOOL DISTRICT

**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities**  
**June 30, 2017****Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 2,259,120
Due from other governments	138
Total Assets	<u>\$ 2,259,258</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 2,065,600
Due to other funds	105,953
Advances from other funds	1,058
Due to student clubs	86,647
Total Liabilities	<u>\$ 2,259,258</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

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### **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 School 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 School District are such that exclusion would cause the School 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 School 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 School 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 School 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 School 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, 2017

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**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.

Title I Basic Fund - This is a special revenue fund that accounts for federal revenues received and expenditures incurred related to the School District's Title I program.

Construction 2014 Fund - This is a capital projects fund that accounts for proceeds from the issuance of three mill notes and expenditures incurred related to the construction and/or renovation of various school facilities.

Construction 2016 Fund - This is a capital projects fund that accounts for the transfer of debt proceeds from the Construction 2014 Fund and expenditures incurred related to the construction and/or renovation of various school facilities.

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



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies, Continued**

**B. Government-wide and Fund Financial Statements, Continued**

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

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

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

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

Additionally, the School District reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**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, 2017

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**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 School 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 School District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

**D. Encumbrances**

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

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

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

**Cash and cash equivalents**

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

**Investments**

The School District can invest its excess funds, as permitted by Section 29-3-113, 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.

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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

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 School District are reported at fair market value.

**2. Receivables and payables**

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

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

**3. Due from Other Governments**

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

**4. Inventories and Prepaid Items**

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

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

**5. Restricted Assets**

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



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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

**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 School District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

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.

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 School 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.

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. 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.



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

*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 School District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

*Assigned fund balance* includes amounts that are constrained by the School 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 School 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 School District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the School 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 School 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, 2017

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**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 (FDIC).

**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 \$18,977,740 and \$2,259,120, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$13,645,831 and a portion of restricted assets in the amount of \$5,331,909 (see Note 4). The bank balance was \$19,467,325.

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the School District's bank balance of \$19,467,325 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of School District's cash with fiscal agents held by financial institutions was \$34,189.

**Investments**

As of June 30, 2017, the School District had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Investment Bonds/Securities	Various	1 to 20 years	\$ 10,597,595
MS Dev Bank Special Obligation Bonds	A2/AA	1 to 5 years	105,055
Total			<u>\$ 10,702,650</u>

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

The school district has the following recurring fair value measurements as of June 30, 2017:

- Fidelity investment bonds/securities of \$10,597,595 are valued using quoted market prices (Level 1 inputs)
- MS Dev Bank Special Obligation Bonds of \$105,055 are valued using quoted market prices (Level 1 inputs)



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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

*Interest Rate Risk.* The School 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 School 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 School 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 School District does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2017, the School District did not have any investments to which this would apply.

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

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Basic Fund	\$ 145,361
	Other governmental funds	117,095
	Fiduciary funds	105,953
Total		<u>\$ 368,409</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.

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

**Note 3 – Inter-fund Receivables, Payables and Transfers, Continued**

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 877,520
Title I Basic Fund	General Fund	15,634
	Other governmental funds	244,133
Construction 2014 Fund	Construction 2016 Fund	1,746,155
Construction 2016 Fund	Construction 2014 Fund	440,000
Other governmental funds	General Fund	415,000
	Other governmental funds	36,268
Total		<u>\$ 3,774,710</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, cost pool transfers, debt service transfers, transfer of debt proceeds between capital project funds, and other routine operating transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agent balance and investment balance, totaling \$8,343 and \$105,055, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the School District's programs. In addition, the restricted assets represent the cash, cash with fiscal agent and investment balance, totaling \$250, \$25,846 and \$466,960, respectively, of the MAEP Limited Obligation Bond Funds. Also included in restricted assets is the cash balance totaling \$5,331,659 of the Construction 2014 Fund and Construction 2016 Fund resulting from unspent proceeds of long-term debt.



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

**Note 5 – Capital Assets**

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 30,914	\$ -	\$ -	\$ -	30,914
Construction-in-progress	-	2,690,136	-	-	2,690,136
Total non-depreciable capital assets	30,914	2,690,136	-	-	2,721,050
<u>Depreciable capital assets:</u>					
Buildings	76,204,356	102,786	-	-	76,307,142
Building improvements	823,347	256,113	-	-	1,079,460
Improvements other than buildings	3,435,715	-	-	-	3,435,715
Mobile equipment	639,498	10,658	99,746	-	550,410
Furniture and equipment	2,249,243	5,010	47,361	14,604	2,221,496
Total depreciable capital assets	83,352,159	374,567	147,107	14,604	83,594,223
<u>Less accumulated depreciation for:</u>					
Buildings	23,852,252	1,492,129	-	-	25,344,381
Building improvements	254,468	43,178	-	-	297,646
Improvements other than buildings	1,664,789	133,860	-	-	1,798,649
Mobile equipment	433,888	37,656	89,772	-	381,772
Furniture and equipment	2,067,717	66,587	46,888	4,389	2,091,805
Total accumulated depreciation	28,273,114	1,773,410	136,660	4,389	29,914,253
Total depreciable capital assets, net	55,079,045	(1,398,843)	10,447	10,215	53,679,970
Governmental activities capital assets, net	\$ 55,109,959	\$ 1,291,293	\$ 10,447	\$ 10,215	\$ 56,401,020

An adjustment was needed to correct the prior year cost and accumulated depreciation for furniture and equipment.

Depreciation expense was charged to the following governmental functions:

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

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 1,669,167
Support services	37,656
Non-instructional	66,587
Total depreciation expense - Governmental activities	\$ 1,773,410

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

**Note 5 – Capital Assets, Continued**

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

	Spent to June 30, 2017	Remaining Commitment
<b>Governmental Activities:</b>		
THS Improvement Projects	\$ 1,296,563	\$ 2,040,170
RHS Improvement Projects	1,393,573	543,969
Total construction in progress	<u>\$ 2,690,136</u>	<u>\$ 2,584,139</u>

Construction projects included in governmental activities are funded with proceeds of three mill notes.

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 6,595,000	\$ -	\$ 4,610,000	\$ 1,985,000	\$ 1,605,000
B. Limited obligation bonds payable	1,591,000	-	790,000	801,000	801,000
C. Three mill notes payable	9,783,000	7,250,000	710,000	16,323,000	735,000
D. Performance leases payable	2,189,156	-	297,184	1,891,972	323,876
E. Compensated absences payable	235,917	28,724	-	264,641	13,232
Total	<u>20,394,073</u>	<u>7,278,724</u>	<u>6,407,184</u>	<u>21,265,613</u>	<u>\$ 3,478,108</u>
Bond premium	133,231		27,416	105,815	
Total	<u>\$ 20,527,304</u>	<u>\$ 7,278,724</u>	<u>\$ 6,434,600</u>	<u>\$ 21,371,428</u>	

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

**Note 6 – Long-term Liabilities, Continued**

**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	\$ 55,000
2. General obligation refunding bonds, Series 2010-A	3.375%	4/20/2010	4/1/2019	3,065,000	745,000
3. General obligation refunding bonds, Series 2011	2.0-3.0%	7/28/2011	3/15/2018	8,770,000	1,185,000
Total				<u>\$ 15,395,000</u>	<u>\$ 1,985,000</u>

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

- General obligation refunding bonds issued on December 30, 2004:

Year Ending June 30	Principal	Interest	Total
2018	\$ 55,000	\$ 1,100	\$ 56,100
Total	<u>\$ 55,000</u>	<u>\$ 1,100</u>	<u>\$ 56,100</u>

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

- General obligation refunding bonds issued on April 20, 2010:

Year Ending June 30	Principal	Interest	Total
2018	\$ 365,000	\$ 24,688	\$ 389,688
2019	380,000	12,825	392,825
Total	<u>\$ 745,000</u>	<u>\$ 37,513</u>	<u>\$ 782,513</u>

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

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**Note 6 – Long-term Liabilities, Continued**

**A. General obligation bonds payable, Continued**

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,185,000	\$ 35,550	\$ 1,220,550
Total	\$ 1,185,000	\$ 35,550	\$ 1,220,550

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
2018	\$ 1,605,000	\$ 61,338	\$ 1,666,338
2019	380,000	12,825	392,825
Total	\$ 1,985,000	\$ 74,163	\$ 2,059,163

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, 2017, the amount of outstanding bonded indebtedness was equal to less than 1% of property assessments as of October 1, 2016.



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

**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	\$ 801,000
Total				<u>\$ 2,378,000</u>	<u>\$ 801,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 801,000	\$ 10,910	\$ 811,910
Total	<u>\$ 801,000</u>	<u>\$ 10,910</u>	<u>\$ 811,910</u>

This debt will be retired from the MAEP Retirement Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the School 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 2015	2.0-3.0%	4/15/2015	4/1/2026	7,875,000	7,225,000
2. Limited tax notes, Series 2015B	2.95%	10/15/2015	4/1/2028	1,848,000	1,848,000
3. Limited tax notes, Series 2016	2.5-3.1%	9/28/2016	4/1/2035	7,250,000	7,250,000
Total				<u>\$ 16,973,000</u>	<u>16,323,000</u>

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

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**C. Three mill notes payable, Continued**

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

Year Ending June 30	Principal	Interest	Total
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	795,000	117,750	912,750
2023 – 2026	3,395,000	258,600	3,653,600
Total	<u>\$ 7,225,000</u>	<u>\$ 1,000,750</u>	<u>\$ 8,225,750</u>

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 54,516	\$ 54,516
2019	-	54,516	54,516
2020	-	54,516	54,516
2021	-	54,516	54,516
2022	-	54,516	54,516
2023 – 2027	912,000	272,580	1,184,580
2028	936,000	27,612	963,612
Total	<u>\$ 1,848,000</u>	<u>\$ 572,772</u>	<u>\$ 2,420,772</u>

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

3. Limited tax notes issued on September 28, 2016:

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 203,789	\$ 203,789
2019	-	203,789	203,789
2020	-	203,789	203,789
2021	-	203,789	203,789
2022	-	203,789	203,789
2023 – 2027	-	1,018,945	1,018,945
2028 – 2032	3,972,000	869,202	4,841,202
2033 – 2035	3,278,000	200,914	3,478,914
Total	<u>\$ 7,250,000</u>	<u>\$ 3,108,006</u>	<u>\$ 10,358,006</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, 2017

**C. Three mill notes payable, Continued**

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 735,000	\$ 436,755	\$ 1,171,755
2019	750,000	422,055	1,172,055
2020	765,000	407,055	1,172,055
2021	785,000	391,755	1,176,755
2022	795,000	376,055	1,171,055
2023 – 2027	4,307,000	1,550,125	5,857,125
2028 – 2032	4,908,000	896,814	5,804,814
2033 – 2035	3,278,000	200,914	3,478,914
Total	<u>\$ 16,323,000</u>	<u>\$ 4,681,528</u>	<u>\$ 21,004,528</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	\$ 1,421,763
2. Performance Leasing 2008	4.95%	1/14/2008	5/14/2022	938,625	470,209
Total				<u>\$ 3,761,700</u>	<u>\$ 1,891,972</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
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>\$ 1,421,763</u>	<u>\$ 188,331</u>	<u>\$ 1,610,094</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, 2017

**D. Performance leases payable, Continued**

2. Performance lease issued on January 14, 2008:

Year Ending June 30	Principal	Interest	Total
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	<u>\$ 470,209</u>	<u>\$ 61,747</u>	<u>\$ 531,956</u>

This debt will be retired from the District Maintenance Fund.

Total performance leases payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
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	<u>\$ 1,891,972</u>	<u>\$ 250,078</u>	<u>\$ 2,142,050</u>

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

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

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

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

**E. Compensated absences payable**

As more fully explained in Note 1(E)(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.



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**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. 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.

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

**Note 7 – Defined Benefit Pension Plan, Continued**

**General Information about the Pension Plan, Continued**

*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, 2017 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, 2017, 2016 and 2015 were \$4,259,847, \$4,360,771 and \$4,401,730, 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, 2017, the school district reported a liability of \$77,309,423 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 0.432803 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.014541 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$9,718,226. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,180,889	\$ -
Net difference between projected and actual earnings on pension plan investments	5,292,127	-
Changes of assumptions	3,766,980	205,436
Changes in proportion and differences between District contributions and proportionate share of contributions	878,164	1,644,089
District contributions subsequent to the measurement date	4,259,847	-
Total	\$ <u>16,378,007</u>	\$ <u>1,849,525</u>



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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

\$4,259,847 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, 2018. 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
2018	\$ 3,859,930
2019	2,453,791
2020	2,427,647
2021	1,527,267

*Actuarial assumptions.* The total pension liability in the June 30, 2016 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

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, 2016 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:



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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

<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	<u>100</u>	%		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution 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 current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 99,128,013	\$ 77,309,423	\$ 59,207,065

*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.

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

**Note 8 – Sixteenth Section Lands, Continued**

Year Ending June 30	Amount
2018	\$ 408,474
2019	397,967
2020	356,765
2021	183,823
2022	176,823
2023 – 2027	826,103
2028 – 2032	714,278
2033 – 2037	634,632
2038 – 2042	434,642
Thereafter	397,670
Total	<u>\$ 4,531,177</u>

**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 write off old outstanding checks from prior year at the governmental fund level	\$ 28,974
2. To correct prior year cost and accumulated depreciation for furniture and equipment	<u>10,215</u>
Total	<u>\$ 39,189</u>

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

Fund	Explanation	Amount
General Fund	To write off old outstanding checks from prior year	\$ 24,389
Title I Basic Fund	To write off old outstanding checks from prior year	895
Other governmental funds	To write off old outstanding checks from prior year	<u>3,690</u>
Total		<u>\$ 28,974</u>

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**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 School 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.

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.



**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2017

<b>Revenues</b>	
Local sources	\$ -
State sources	-
Federal sources	-
Total Revenues	<u>-</u>
<b>Expenditures</b>	
Salaries	440,572
Employee benefits	139,417
Purchased professional and technical services	74,045
Purchased property services	72,351
Other purchased services	2,363
Supplies	9,777
Property	4,029
Other	1,593
Total Expenditures	<u>744,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(744,147)</u>
<b>Other Financing Sources/Uses:</b>	
Transfers in	742,300
Total Other Financing Sources/Uses	<u>742,300</u>
Net Change in Fund Balance	<u>(1,847)</u>
<b>Fund Balance:</b>	
July 1, 2016, as previously reported	33
Prior period adjustments	2,145
July 1, 2016, as restated	<u>2,178</u>
June 30, 2017	<u>\$ 331</u>

**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.

**HINDS COUNTY SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2017

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**Note 14 - Insurance loss recoveries**

The Hinds County School District received \$265,262 in insurance loss recoveries during the 2016-2017 fiscal year related to roof damage at Gary Road Elementary School and water damage at Carver 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 \$42,362,998 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$342,477 balance of the deferred outflow of resources at June 30, 2017, will be recognized as an expense and decrease the net investment in capital assets net position over the next nine (9) years.

The unrestricted net position amount of (\$47,128,188) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$4,259,847 resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$12,118,160 balance of the deferred outflows of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next four (4) years. The \$1,849,525 balance of the deferred inflows of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next three (3) years.

**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 forty-eight (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, 2017, 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/Balance Sheet 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/Balance Sheet date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the School District through April 27, 2018 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, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 20,675,828	\$ 20,675,828	\$ 22,565,737	\$ -	\$ 1,889,909
State sources	27,994,071	27,994,071	26,780,859	-	(1,213,212)
Federal sources	379,250	379,250	123,491	-	(255,759)
Sixteenth section sources	804,000	804,000	705,938	-	(98,062)
Total Revenues	49,853,149	49,853,149	50,176,025	-	322,876
<b>Expenditures:</b>					
Instruction	23,699,146	24,856,992	24,599,955	(1,157,846)	257,037
Support services	24,106,222	22,488,514	22,585,954	1,617,708	(97,440)
Sixteenth section	616,500	205,893	205,893	410,607	-
Facilities acquisition and construction	-	200,226	102,786	(200,226)	97,440
Debt service:					
Principal	292,516	292,516	297,184	-	(4,668)
Interest	102,484	107,311	101,719	(4,827)	5,592
Total Expenditures	48,816,868	48,151,452	47,893,491	665,416	257,961
Excess (Deficiency) of Revenues over (under) Expenditures	1,036,281	1,701,697	2,282,534	665,416	580,837
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	-	265,262	-	265,262
Sale of transportation equipment	-	-	3,510	-	3,510
Operating transfers in	4,333,245	4,333,245	430,634	-	(3,902,611)
Operating transfers out	(4,971,526)	(5,148,874)	(877,520)	(177,348)	4,271,354
Total Other Financing Sources (Uses)	(638,281)	(815,629)	(178,114)	(177,348)	637,515
Net Change in Fund Balances	398,000	886,068	2,104,420	488,068	1,218,352
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	15,617,639	15,617,639	15,681,615	-	63,976
Prior period adjustments	-	(206)	24,389	(206)	24,595
July 1, 2016, as restated	15,617,639	15,617,433	15,706,004	(206)	88,571
June 30, 2017	\$ 16,015,639	\$ 16,503,501	\$ 17,810,424	\$ 487,862	\$ 1,306,923

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

## HINDS COUNTY SCHOOL DISTRICT

## Required Supplementary Information

## Budgetary Comparison Schedule

## Title I Basic Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,802,028	\$ -	\$ 1,549,673	\$ (1,802,028)	\$ 1,549,673
Total Revenues	1,802,028	-	1,549,673	(1,802,028)	1,549,673
<b>Expenditures:</b>					
Instruction	1,250,361	1,360,750	1,154,016	(110,389)	206,734
Support services	257,084	180,256	113,450	76,828	66,806
Noninstructional services	31,312	31,386	23,335	(74)	8,051
Total Expenditures	1,538,757	1,572,392	1,290,801	(33,635)	281,591
Excess (Deficiency) of Revenues over (under) Expenditures	263,271	(1,572,392)	258,872	(1,835,663)	1,831,264
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(263,271)	(259,767)	(259,767)	3,504	-
Total Other Financing Sources (Uses)	(263,271)	(259,767)	(259,767)	3,504	-
Net Change in Fund Balances	-	(1,832,159)	(895)	(1,832,159)	1,831,264
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	-	-	-	-	-
Prior period adjustments	-	-	895	-	895
July 1, 2016, as restated	-	-	895	-	895
June 30, 2017	\$ -	\$ (1,832,159)	\$ -	\$ (1,832,159)	\$ 1,832,159

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

# HINDS COUNTY SCHOOL DISTRICT

## Required Supplementary Information

### Schedule of the School District's Proportionate Share of the Net Pension Liability

#### PERS

#### Last 10 Fiscal Years\*

	2017	2016	2015
District's proportion of the net pension liability (asset)	\$ 77,309,423	69,150,561	53,139,326
District's proportionate share of the net pension liability (asset)	0.432803%	0.447344%	0.437787%
District's covered payroll	27,687,435	27,947,492	26,751,029
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57%	62%	67%

\* 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 School District has only presented information for the years in which information is available.

The note to the required supplementary information are an integral part of this statement.



**HINDS COUNTY SCHOOL DISTRICT****Required Supplementary Information**

## Schedule of School District Contributions

## PERS

## Last 10 Fiscal Years

	2017	2016	2015
Contractually required contribution	\$ 4,259,847	4,360,771	4,401,730
Contributions in relation to the contractually required contribution	4,259,847	4,360,771	4,401,730
Contribution deficiency (excess)	\$ -	-	-
District's covered payroll	\$ 27,046,648	\$ 27,687,435	\$ 27,947,492
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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 School District has only presented information for the years in which information is available.

The note to the required supplementary information are an integral part of this statement.

HINDS COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2017

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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

## **SUPPLEMENTARY INFORMATION**



# HINDS COUNTY SCHOOL DISTRICT

## Supplementary Information

### Schedule of Expenditures of Federal Awards

### Schedule I

For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 780,076
National School Lunch Program	10.555	2,735,030
Summer Food Service Program for Children	10.559	19,800
Total Child Nutrition Cluster		3,534,906
Total passed-through Mississippi Department of Education		3,534,906
<b>Total U. S. Department of Agriculture</b>		<b>3,534,906</b>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	99,185
<b>Total U.S. Department of Defense</b>		<b>99,185</b>
<b><u>U. S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,549,673
Vocational Education – Basic Grants to States	84.048	69,116
Twenty First Century Community Learning Centers	84.287	1,423
Improving Teacher Quality State Grants	84.367	288,876
Subtotal		1,909,088
Special Education Cluster:		
Special education - grants to states	84.027	1,229,021
Special education - preschool grants	84.173	24,887
Total Special Education Cluster		1,253,908
Total Passed-through Mississippi Department of Education		3,162,996
<b>Total U. S. Department of Education</b>		<b>3,162,996</b>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	122,721
Total Passed-through Mississippi Department of Education		122,721
<b>Total U. S. Department of Health and Human Services</b>		<b>122,721</b>
 Total for All Federal Awards		 \$ 6,919,808

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

**HINDS COUNTY SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

**NOTE 1. – Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hinds County School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School District.

**NOTE 2. – Summary of Significant Accounting Policies:**

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

**NOTE 3. – Indirect Cost Rate:**

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

**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 II

#### Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 36,157,299	\$ 28,778,199	\$ 1,977,616	\$ 3,415,894	\$ 1,965,590
Other	30,159,760	7,760,431	1,322,513	133,683	20,943,133
Total	\$ 66,317,059	\$ 36,538,630	\$ 3,300,129	\$ 3,549,577	\$ 22,928,723
Total number of students *	5,956				
Cost per student	\$ 11,134	\$ 6,135	\$ 554	\$ 596	\$ 3,850

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**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 22,565,737	\$ 20,986,458	\$ 20,044,015	\$ 19,914,261
State sources	26,780,859	27,210,223	25,976,276	24,717,455
Federal sources	123,491	222,549	293,128	137,256
Sixteenth section sources	705,938	863,190	790,854	-
Total Revenues	<u>50,176,025</u>	<u>49,282,420</u>	<u>47,104,273</u>	<u>44,768,972</u>
<b>Expenditures:</b>				
Instruction	24,599,955	25,709,353	27,208,274	24,491,932
Support services	22,585,954	21,891,242	21,937,785	22,936,236
Noninstructional services	-	-	-	-
Sixteenth section	205,893	109,379		-
Facilities acquisition and construction	102,786	-	75,721	90,184
Debt service:				
Principal	297,184	272,114	248,581	226,497
Interest	101,719	115,751	128,585	140,290
Other	-	-	-	-
Total Expenditures	<u>47,893,491</u>	<u>48,097,839</u>	<u>49,598,946</u>	<u>47,885,139</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,282,534</u>	<u>1,184,581</u>	<u>(2,494,673)</u>	<u>(3,116,167)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	-	-
Insurance loss recovery	265,262	126,519	91,723	36,679
Sale of transportation equipment	3,510			
Operating transfer in	430,634	222,782	131,733	128,100
Other Financing Sources (Uses):	-	400,000	1,700,000	
Operating transfers out	(877,520)	(4,193,547)	(1,143,224)	(929,504)
Total Other Financing Sources (Uses)	<u>(178,114)</u>	<u>(3,444,246)</u>	<u>780,232</u>	<u>(764,725)</u>
Net Change in Fund Balances	<u>2,104,420</u>	<u>(2,259,665)</u>	<u>(1,714,441)</u>	<u>(3,880,892)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	15,681,615	17,941,280	12,570,268	16,473,367
Funds Reclassification	24,389	-	7,085,453	(22,207)
Beginning of period, as restated	<u>15,706,004</u>	<u>-</u>	<u>19,655,721</u>	<u>16,451,160</u>
End of Period	\$ <u>17,810,424</u>	\$ <u>15,681,615</u>	\$ <u>17,941,280</u>	\$ <u>12,570,268</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

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 28,313,129	\$ 25,350,694	\$ 25,395,386	\$ 26,721,325
State source	28,077,900	28,611,827	27,524,490	26,059,859
Federal sources	6,919,808	7,489,688	6,816,975	6,553,425
Sixteenth section sources	747,155	917,989	834,163	756,811
Total Revenues	<u>64,057,992</u>	<u>62,370,198</u>	<u>60,571,014</u>	<u>60,091,420</u>
<b>Expenditures:</b>				
Instruction	27,676,532	29,242,587	30,162,246	27,215,146
Support services	24,495,270	23,826,005	24,183,488	25,123,053
Noninstructional services	3,655,704	3,751,365	3,611,895	3,432,408
Sixteenth section	205,893	109,495	75,961	103,778
Facilities acquisition and construction	3,049,035	1,151,648	250,397	90,184
Debt service:				
Principal	6,407,184	6,294,114	5,748,581	5,526,497
Interest	654,765	664,095	1,050,920	1,246,568
Other	172,677	90,401	49,530	8,548
Total Expenditures	<u>66,317,060</u>	<u>65,129,710</u>	<u>65,133,018</u>	<u>62,746,182</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,259,068)</u>	<u>(2,759,512)</u>	<u>(4,562,004)</u>	<u>(2,654,762)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	7,250,000	1,848,000	-	-
Insurance loss recovery	265,262	126,519	91,723	36,679
Sales of transportation equipment	3,510	-	2,378,000	-
Operating transfers in	3,774,710	5,596,476	1,519,460	1,305,376
Other financing Sources	-	400,000	1,700,000	-
Operating transfers out	(3,774,710)	(5,596,476)	(1,519,460)	(1,305,376)
Payment to refunded bond escrow agent	-	-	(2,338,634)	-
Total Other Financing Sources (Uses)	<u>7,518,772</u>	<u>2,374,519</u>	<u>1,831,089</u>	<u>36,679</u>
Net Change in Fund Balances	<u>5,259,704</u>	<u>(384,993)</u>	<u>(2,730,915)</u>	<u>(2,618,083)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	25,211,058	25,604,349	28,323,436	30,970,331
Prior period adjustments	28,974	-	-	(21,207)
Beginning of period, as restated	<u>25,240,032</u>	<u>25,604,349</u>	<u>28,323,436</u>	<u>30,949,124</u>
Increase (Decrease) in reserve for inventory	<u>15,321</u>	<u>(8,298)</u>	<u>11,828</u>	<u>(7,605)</u>
End of Period	\$ <u>30,515,057</u>	\$ <u>25,211,058</u>	\$ <u>25,604,349</u>	\$ <u>28,323,436</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.



**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 *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 School District, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise of the School District's basic financial statements, and have issued our report thereon dated April 16, 2018.

**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**  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
Jackson, Mississippi

April 27, 2018



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 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, 2017. 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 program 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.

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.

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

**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, 2017.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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



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

compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

April 27, 2018



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



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
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 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 School District as of and for the year ended June 30, 2017, which collectively comprise of the School District's basic financial statements and have issued our report thereon dated April 27, 2018. 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.

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 no instance of noncompliance with other state laws and regulations.

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

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

April 27, 2018



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**HINDS COUNTY SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

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**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)? | Yes  |
| 7. Identification of major programs:  |  |
| <u>CFDA Numbers</u>   | <u>Name of Federal Program or Cluster</u>    |
| 84.027; 84.173  | Special Education Cluster                    |
| 84.010  | Title I grants to local educational agencies |
| 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, 2017

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**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**

**Audit Finding Reference Number**

**2017-001**      Reporting

**Federal Program Information**

U.S. Department of Education

<b><u>CFDA Numbers</u></b>	<b><u>CFDA Title</u></b>
84.010	Title I grants to local educational agencies
84.027; 84.173	Special Education Cluster

**Federal Award Year**

June 30, 2017

**Federal Agency**

United States Department of Education

**Pass-Through Entity**

Mississippi Department of Education

**Criteria**

In accordance with 2 CFR § 200.512- Report Submission, "the audit must be completed and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period."

**Condition**

The required data collection form and reporting package to the Federal Audit Clearinghouse was not submitted within established timeframe.



**HINDS COUNTY SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs, Continued  
For the Year Ended June 30, 2017

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**Section III: Federal Award Findings and Questioned Costs, Continued**

**Audit Finding Reference Number**

**2017-001**      Reporting, continued

**Cause**

There was a delay in preparation of the financial statements on a timely basis.

**Effect**

The School District did not comply with Federal reporting regulations.

**Questioned Costs**

For the purposes of this finding, we have not questioned any costs.

**Perspective**

This finding is an isolated instance, which is prevalent and will result in the auditee being considered not a low-risk auditee in future audit period.

**Number of years finding reported**

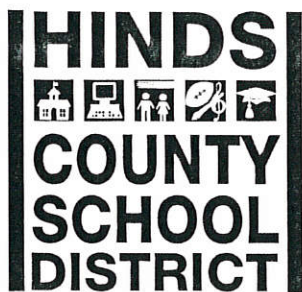
One (1) – 2017

**Recommendation**

We recommend that the School District strengthen its internal control systems over reporting to ensure single audit reporting package and data collection form are submitted to the Federal Audit Clearinghouse within established timeframe.

**Views of Responsible Official**

The management agrees with this finding and will adhere to the correction action plan on page 82 in this audit report.



Superintendent  
Delesicia M. Martin, Ed.D.

Hinds County School Board  
Tim Burnett - District 1  
Robbie Anderson - District 2  
Linda Laws, President - District 3  
Bill Elkins - District 4  
Carolyn Samuel - District 5

April 27, 2018

Hinds County School District  
13192 Highway 18 West  
Dr. Delesicia Martin-Superintendent  
Earl Burke, Chief Financial Officer & Assistant Superintendent

### AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511 (a), the Hinds County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2017.

#### Finding 2017-001

#### Corrective Action Plan

A. Contact person responsible for corrective action:  
Name: Earl Burke  
Title: Chief Financial Officer & Assistant Superintendent

B. Description of corrective action planned:

The district will work closely with the external accountant to ensure financial statements are prepared timelier to ensure adequate time to complete and submit audit report to the clearinghouse as required.

C. Anticipated completion date of corrective action:

June 30, 2018

Regards,

A handwritten signature in black ink that reads "Earl P. Burke". The signature is written in a cursive, flowing style.

Chief Financial Officer & Assistant Superintendent