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HINDS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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P.O. Box 41
Madison, MS 39130
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Hinds County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinds County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hinds County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinds County School District, as of June 30, 2018, 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 District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 6-13, 53-54, 55-56, 57 and 58, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hinds County School District's 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2019, on our consideration of the Hinds County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Hinds County School District's internal control over financial reporting and compliance.

JD CPA, PLLC

Madison, Mississippi
May 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Hinds County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. 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 2018 decreased \$7,430,433, including a prior period adjustment of (\$4,337,470) due primarily to the recording of the net OPEB liability and the related deferred inflows and outflows, which represents a 250% decrease from fiscal year 2017. Total net position for 2017 increased \$155,650, including a prior period adjustment of \$39,189, which represents a 6% increase from fiscal year 2016.
- General revenues amounted to \$54,086,516 and \$55,253,902, or 86% and 86% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,036,720, or 14% of total revenues for 2018, and \$9,069,352, or 14% of total revenues for 2017.
- The District had \$66,216,199 and \$64,206,793 in expenses for fiscal years 2018 and 2017; only \$9,036,720 for 2018 and \$9,069,352 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$54,086,516 for 2018 were not adequate to provide for these programs. General revenues of \$55,253,902 for 2017 were adequate to provide for these programs.
- Among major funds, the General Fund had \$48,959,757 in revenues and \$47,171,822 in expenditures for 2018, and \$50,176,025 in revenues and \$47,893,491 in expenditures in 2017. The General Fund's fund balance increased by \$6,839 from 2017 to 2018, including a prior period adjustment of \$38,190, and increased by \$2,128,809 from 2016 to 2017, including a prior period adjustment of \$24,389.
- Capital assets, net of accumulated depreciation, increased by \$5,426,049 for 2018 and increased by \$1,291,061 for 2017. The increase for 2018 was due primarily to the ongoing construction of various school facilities, the completion of various buildings and improvements other than buildings, and the purchase of mobile equipment and furniture and equipment.
- Long-term debt, excluding bond premium, increased by \$56,417,950 for 2018 and increased by \$871,540 for 2017. The increase for 2018 was due primarily to the issuance of general obligation bonds during the fiscal year. The liability for compensated absences decreased by \$17,174 for 2018 and increased by \$28,724 for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Hinds County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Hinds County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,458,181 as of June 30, 2018.

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

Hinds County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 27,658,678	\$ 25,577,194	8.14 %
Restricted assets	65,116,792	5,938,113	996.59 %
Capital assets, net	61,827,069	56,401,020	9.62 %
Total assets	154,602,539	87,916,327	75.85 %
 Deferred outflows of resources	 7,311,045	 16,720,484	 (56.27) %
Current liabilities	4,619,000	1,134,183	307.25 %
Long-term debt outstanding	83,338,447	21,371,428	289.95 %
Net OPEB liability	4,229,623	-	N/A %
Net pension liability	70,086,224	77,309,423	(9.34) %
Total liabilities	162,273,294	99,815,034	62.57 %
 Deferred inflows of resources	 4,098,471	 1,849,525	 121.60 %
 Net position:			
Net investment in capital assets	41,743,070	42,362,998	(1.46) %
Restricted	9,118,644	7,737,442	17.85 %
Unrestricted	(55,319,895)	(47,128,188)	(17.38) %
Total net position	\$ (4,458,181)	\$ 2,972,252	(249.99) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (55,319,895)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	71,320,537
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 16,000,642

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 \$5,426,049.
- The issuance of general obligation bonds in the amount of \$59,900,000.
- The principal retirement of \$3,464,876 of long-term debt.
- Recognition of the net pension liability in the amount of \$70,086,224.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$4,229,623.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$63,123,236 and \$64,323,254, respectively. The total cost of all programs and services was \$66,216,199 for 2018 and \$64,206,793 for 2017.

Hinds County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,316,745	\$ 1,622,433	(18.84) %
Operating grants and contributions	7,719,975	7,446,919	3.67 %
General revenues:			
Property taxes	26,494,712	26,618,826	(0.47) %
Grants and contributions not restricted	26,221,337	27,550,788	(4.83) %
Investment earnings	128,096	88,374	44.95 %
Sixteenth section sources	552,968	711,289	(22.26) %
Other	689,403	284,625	142.21 %
Total revenues	<u>63,123,236</u>	<u>64,323,254</u>	<u>(1.87) %</u>
Expenses:			
Instruction	29,613,477	26,392,756	12.20 %
Support services	22,954,437	23,320,453	(1.57) %
Non-instructional	3,337,491	3,632,532	(8.12) %
Sixteenth section	83,455	205,893	(59.47) %
Pension expense	8,183,300	9,718,226	(15.79) %
OPEB expense	192,369	-	N/A %
Interest on long-term liabilities	1,851,670	936,933	97.63 %
Total expenses	<u>66,216,199</u>	<u>64,206,793</u>	<u>3.13 %</u>
Increase (Decrease) in net position	<u>(3,092,963)</u>	<u>116,461</u>	<u>(2,755.79) %</u>
Net Position, July 1, as previously reported	<u>2,972,252</u>	<u>2,816,602</u>	<u>5.53 %</u>
Prior Period Adjustment	<u>(4,337,470)</u>	<u>39,189</u>	<u>(11,168.08) %</u>
Net Position, July 1, as restated	<u>(1,365,218)</u>	<u>2,855,791</u>	<u>(147.81) %</u>
Net Position, June 30	<u>\$ (4,458,181)</u>	<u>\$ 2,972,252</u>	<u>(249.99) %</u>

Governmental activities

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

Hinds County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 29,613,477	\$ 26,392,756	12.20 %
Support services	22,954,437	23,320,453	(1.57) %
Non-instructional	3,337,491	3,632,532	(8.12) %
Sixteenth section	83,455	205,893	(59.47) %
Pension Expense	8,183,300	9,718,226	(15.79) %
OPEB Expense	192,369	-	N/A %
Interest on long-term liabilities	1,851,670	936,933	97.63 %
Total expenses	\$ 66,216,199	\$ 64,206,793	3.13 %

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (26,314,944)	\$ (22,979,484)	14.51 %
Support services	(21,149,792)	(21,697,227)	(2.52) %
Non-instructional	584,307	359,846	62.38 %
Sixteenth section	(71,711)	(165,417)	(56.65) %
Pension Expense	(8,183,300)	(9,718,226)	(15.79) %
OPEB Expense	(192,369)	-	N/A %
Interest on long-term liabilities	(1,851,670)	(936,933)	97.63 %
Total net (expense) revenue	\$ (57,179,479)	\$ (55,137,441)	3.70 %

- Net cost of governmental activities (\$57,179,479 for 2018 and \$55,137,441 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$26,494,712 for 2018 and \$26,618,826 for 2017) and state and federal revenues (\$26,221,337 for 2018 and \$27,550,788 for 2017). In addition, there was \$552,968 and \$711,289 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$128,096 for 2018 and \$88,374 for 2017.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$89,147,098, an increase of \$58,632,041, which includes a prior period adjustment of \$15,291 and a decrease in inventory of \$8,194. \$10,757,918, or 12% 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 \$78,389,180, or 88% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

Hinds County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$6,839. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,594,321, which includes a prior period adjustment of (\$11,818) and a decrease in inventory of \$8,194. 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
Building Project 2018 Fund	\$ 61,219,523

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$93,644,722, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$7,329,449 from 2017, due primarily to the ongoing construction of various school facilities, the completion of various buildings and improvements other than buildings, and the purchase of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2018, was \$31,817,653, and total depreciation expense for the year was \$1,932,340, resulting in total net capital assets of \$61,827,069.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 30,914	\$ 30,914	0.00 %
Construction in Progress	4,625,037	2,690,136	71.93 %
Buildings	51,490,059	50,962,761	1.03 %
Building improvements	738,636	781,814	(5.52) %
Improvements other than buildings	4,551,341	1,637,066	178.02 %
Mobile equipment	307,193	168,638	82.16 %
Furniture and equipment	83,889	129,691	(35.32) %
Total	<u>\$ 61,827,069</u>	<u>\$ 56,401,020</u>	9.62 %

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

Debt Administration. At June 30, 2018, the District had \$77,683,563 in outstanding long-term debt, of which \$2,515,099 is due within one year. During the fiscal year, the District received proceeds from the issuance of general obligation bonds in the amount of \$59,900,000. The District made principal payments totaling \$3,464,876 on outstanding long-term debt. The liability for compensated absences decreased \$17,174 from the prior year.

Hinds County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 60,280,000	\$ 1,985,000	2,936.78 %
Limited obligation bonds payable	-	801,000	(100.00) %
Three mill notes payable	15,588,000	16,323,000	(4.50) %
Performance leases payable	1,568,096	1,891,972	(17.12) %
Compensated absences payable	247,467	264,641	(6.49) %
Total	<u>\$ 77,683,563</u>	<u>\$ 21,265,613</u>	265.30 %
 Add: Bond premium	 5,654,884	 105,815	 5,244.12 %
Total	<u>\$ 83,338,447</u>	<u>\$ 21,371,428</u>	289.95 %

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

CURRENT ISSUES

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

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

The District actively pursues grant funding to supplement the local, state, and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Hinds County School District, 13192 Highway 18, Raymond, MS 39154.

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FINANCIAL STATEMENTS

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HINDS COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2018**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 15,532,263
Investments	10,122,216
Due from other governments	1,920,181
Inventories	84,018
Restricted assets	65,116,792
Capital assets, non-depreciable:	
Land	30,914
Construction in progress	4,625,037
Capital assets, net of accumulated depreciation:	
Buildings	51,490,059
Building improvements	738,636
Improvements other than buildings	4,551,341
Mobile equipment	307,193
Furniture and equipment	83,889
Total Assets	<u>154,602,539</u>
Deferred Outflows of Resources	
Deferred outflows - advance refunding of debt	217,264
Deferred outflows - pensions	6,913,466
Deferred outflows - OPEB	180,315
Total Deferred Outflows of Resources	<u>7,311,045</u>
Liabilities	
Accounts payable and accrued liabilities	3,628,098
Unearned revenue	274
Interest payable on long-term liabilities	990,628
Long-term liabilities, due within one year:	
Capital related liabilities	2,150,000
Non-capital related liabilities	365,099
Net OPEB liability	175,118
Long-term liabilities, due beyond one year:	
Capital related liabilities	73,718,000
Capital related bond premiums	5,654,884
Non-capital related liabilities	1,450,464
Net pension liability	70,086,224
Net OPEB liability	4,054,505
Total Liabilities	<u>162,273,294</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	3,782,964
Deferred inflows - OPEB	315,507
Total Deferred Inflows of Resources	<u>4,098,471</u>
Net Position	
Net investment in capital assets	41,743,070
Restricted for:	
Expendable:	
School-based activities	5,146,788
Debt service	2,913,491
Forestry improvements	585,573
Unemployment benefits	359,080
Non-expendable:	
Sixteenth section	113,712
Unrestricted	(55,319,895)
Total Net Position (deficit)	<u>\$ (4,458,181)</u>

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

HINDS COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 29,613,477	\$ 583,878	\$ 2,714,655	-	\$ (26,314,944)
Support services	22,954,437	3,032	1,801,613	-	(21,149,792)
Non-instructional	3,337,491	718,091	3,203,707	-	584,307
Sixteenth section	83,455	11,744	-	-	(71,711)
Pension expense	8,183,300	-	-	-	(8,183,300)
OPEB expense	192,369	-	-	-	(192,369)
Interest on long-term liabilities	1,851,670	-	-	-	(1,851,670)
Total Governmental Activities	<u>\$ 66,216,199</u>	<u>\$ 1,316,745</u>	<u>\$ 7,719,975</u>	<u>-</u>	<u>\$ (57,179,479)</u>

General Revenues:

Taxes:

General purpose levies 21,970,642

Debt purpose levies 4,524,070

Unrestricted grants and contributions:

State 26,044,034

Federal 177,303

Unrestricted investment earnings 128,096

Sixteenth section sources 552,968

Other 689,403

Total General Revenues 54,086,516

Change in Net Position (3,092,963)

Net Position - Beginning, as previously reported 2,972,252

Prior Period Adjustments (4,337,470)

Net Position - Beginning, as restated (1,365,218)

Net Position (deficit) - Ending \$ (4,458,181)

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, 2018

	Major Funds					
	General Fund	Title I Basic Fund	Building Project 2018 Fund	Other Governmental Funds	Total Governmental Funds	
Assets						
Cash and cash equivalents	\$ 8,677,100	\$ 292,981	\$ 21,163,273	\$ 7,060,796	\$ 37,194,150	
Cash with fiscal agents	-	-	-	474,906	474,906	
Investments	9,752,023	-	42,400,000	950,192	53,102,215	
Due from other governments	660,419	421,576	-	731,064	1,813,059	
Due from other funds	1,083,578	-	-	2,168,738	3,252,316	
Advance to other funds	1,058	-	-	-	1,058	
Inventories	-	-	-	84,018	84,018	
Total assets	\$ 20,174,178	\$ 714,557	\$ 63,563,273	\$ 11,469,714	\$ 95,921,722	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 188,177	\$ 292,981	\$ 2,343,750	\$ 803,190	\$ 3,628,098	
Due to other funds	2,168,738	421,576	-	555,938	3,146,252	
Unavailable revenue - federal programs	-	-	-	274	274	
Total Liabilities	2,356,915	714,557	2,343,750	1,359,402	6,774,624	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	84,018	84,018	
Permanent fund principal	-	-	-	113,712	113,712	
Advances	1,058	-	-	-	1,058	
Restricted:						
Debt service	-	-	-	3,904,119	3,904,119	
Capital projects	-	-	61,219,523	2,098	61,221,621	
Forestry improvement purposes	-	-	-	585,573	585,573	
Grant activities	-	-	-	3,799,670	3,799,670	
Unemployment benefits	-	-	-	359,080	359,080	
Child nutrition	-	-	-	1,262,042	1,262,042	
Assigned:						
Improvement of facilities	6,841,084	-	-	-	6,841,084	
Activity funds	217,203	-	-	-	217,203	
Unassigned	10,757,918	-	-	-	10,757,918	
Total Fund Balances	17,817,263	-	61,219,523	10,110,312	89,147,098	
Total Liabilities and Fund Balances	\$ 20,174,178	\$ 714,557	\$ 63,563,273	\$ 11,469,714	\$ 95,921,722	

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, 2018**

Exhibit C-1

Total fund balances for governmental funds \$ 89,147,098

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	4,625,037	
Buildings	78,360,600	
Building improvements	1,079,460	
Improvements other than buildings	6,568,146	
Mobile equipment	734,972	
Furniture and equipment	2,245,593	
Accumulated depreciation	<u>(31,817,653)</u>	61,827,069

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	(70,086,224)	
-----------------------	--------------	--

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	6,913,466	
Deferred inflows of resources related to pensions	<u>(3,782,964)</u>	(66,955,722)

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

Net OPEB liability	(4,229,623)	
--------------------	-------------	--

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	180,315	
Deferred inflows of resources related to OPEB	<u>(315,507)</u>	(4,364,815)

4. 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	(60,280,000)	
Notes payable	(15,588,000)	
Performance leases	(1,568,096)	
Compensated absences	(247,467)	
Unamortized charges	217,264	
Unamortized premiums	(5,654,884)	
Accrued interest payable	<u>(990,628)</u>	<u>(84,111,811)</u>

Net Position of governmental activities \$ (4,458,181)

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, 2018

Exhibit D

	Major Funds				
	General Fund	Title I Basic Fund	Building Project 2018 Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 22,902,721	\$ -	\$ 17,990	\$ 5,236,826	\$ 28,157,537
State sources	25,325,319	-	-	1,710,687	27,036,006
Federal sources	177,303	1,277,472	-	5,450,529	6,905,304
Sixteenth section sources	554,414	-	-	12,169	566,583
Total Revenues	48,959,757	1,277,472	17,990	12,410,211	62,665,430
Expenditures:					
Instruction	24,690,232	944,941	3,030,758	2,104,257	30,770,188
Support services	21,988,027	253,073	85,242	1,787,304	24,113,646
Noninstructional services	-	13,255	-	3,511,389	3,524,644
Sixteenth section	83,277	-	-	178	83,455
Facilities acquisition and construction	-	-	861,978	6,258,812	7,120,790
Debt service:					
Principal	323,876	-	-	3,141,000	3,464,876
Interest	86,410	-	-	509,003	595,413
Other	-	-	475,400	4,791	480,191
Total Expenditures	47,171,822	1,211,269	4,453,378	17,316,734	70,153,203
Excess (Deficiency) of Revenues over (under) Expenditures	1,787,935	66,203	(4,435,388)	(4,906,523)	(7,487,773)
Other Financing Sources (Uses):					
Bonds and notes issued	-	-	59,900,000	-	59,900,000
Insurance recovery	3,032	-	-	-	3,032
Premiums on bonds issued	-	-	5,754,911	-	5,754,911
Operating transfers in	155,121	-	-	7,193,419	7,348,540
Other financing sources	450,000	-	-	4,774	454,774
Operating transfers out	(2,427,439)	(55,122)	-	(4,865,979)	(7,348,540)
Total Other Financing Sources (Uses)	(1,819,286)	(55,122)	65,654,911	2,332,214	66,112,717
Net Change in Fund Balances	(31,351)	11,081	61,219,523	(2,574,309)	58,624,944
Fund Balances:					
July 1, 2017, as previously reported	17,810,424	-	-	12,704,633	30,515,057
Prior period adjustments	38,190	(11,081)	-	(11,818)	15,291
July 1, 2017, as restated	17,848,614	(11,081)	-	12,692,815	30,530,348
Increase (Decrease) in inventory	-	-	-	(8,194)	(8,194)
June 30, 2018	\$ 17,817,263	\$ -	\$ 61,219,523	\$ 10,110,312	\$ 89,147,098

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, 2018**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 58,624,944

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	\$ 7,361,605	
Depreciation expense	<u>(1,932,340)</u>	5,429,265

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. (3,216)

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	(59,900,000)	
Premiums on bonds and refunding bonds issued	(5,754,911)	
Payments of debt principal	3,464,876	
Accrued interest payable	<u>(856,695)</u>	(63,046,730)

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

Pension expense	(8,183,300)	
Contributions subsequent to the measurement date	<u>4,008,519</u>	(4,174,781)

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

OPEB expense	(192,369)	
Contributions subsequent to the measurement date	<u>180,315</u>	(12,054)

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

Change in compensated absences	17,174	
Change in inventory	(8,194)	
Amortization of deferred charges, premiums and discounts	<u>80,629</u>	<u>89,609</u>

Change in Net Position of governmental activities \$ (3,092,963)

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, 2018****Exhibit E**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 2,320,471
Total Assets	<u>\$ 2,320,471</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,133,499
Due to other funds	106,064
Advances from other funds	1,058
Due to student clubs	79,850
Total Liabilities	<u>\$ 2,320,471</u>

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

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HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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.

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

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

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has incurred deferred outflows which are presented as deferred outflows from advance refunding of debt and deferred outflows related to pensions. See Note 16 for further details.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has incurred deferred inflows which are presented as deferred inflows related to pensions. See Note 16 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

12. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor

HINDS COUNTY SCHOOL DISTRICT
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For Year Ended June 30, 2018

constraints on the specific purposes for which amounts in those funds can be spent.

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

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

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

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

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

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

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

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

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the

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State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$79,594,150 (which includes \$42,400,000 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$2,320,471, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$15,532,263 and a portion of restricted assets in the amount of \$64,061,887 (see Note 4). The bank balance was \$66,296,157.

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, 2018, none of the district's bank balance of \$66,296,157 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 \$474,906.

Investments

As of June 30, 2018, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Investment Bonds/Securities	Various	1 to 30 years	\$ 10,588,788
MS Dev Bank Special Obligation Bonds	A2/AA	1 to 5 years	113,427
Certificates of Deposit	N/A	6 months to 1 year	42,400,000
Total			<u>\$ 53,102,215</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair

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value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2018:

- Fidelity investment bonds/securities of \$10,588,788 are valued using quoted market prices (Level 1 inputs)
- MS Dev Bank Special Obligation Bonds of \$113,427 are valued using quoted market prices (Level 1 inputs)
- Certificates of deposit of \$42,400,000 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2018, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Basic Fund	\$ 421,576
	Other governmental funds	555,938
	Fiduciary funds	106,064
Other governmental funds	General Fund	2,168,738
Total		<u>\$ 3,252,316</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>

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

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,427,439
Title I Basic Fund	General Fund	55,122
Other governmental funds	General Fund	99,999
	Other governmental funds	<u>4,765,980</u>
Total		<u>\$ 7,348,540</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance and investment balance, totaling \$285 and \$113,427, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash, cash with fiscal agent, and investment balance, totaling \$250, \$474,621, and \$466,572, respectively, of the MAEP Limited Obligation Bond Funds. Also included in restricted assets is the cash balance totaling \$2,097 of the Construction 2014 Fund, the cash balance totaling \$496,267 of the Construction 2016 Fund, and the cash balance and investment balance, totaling \$21,163,273 and \$42,400,000, respectively, of the Building Project 2018 Fund, resulting from unspent proceeds of long-term debt.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Completed Construction	Balance 6/30/2018
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 30,914	\$	\$	\$	\$ 30,914
Construction-in-progress	2,690,136	7,120,790		(5,185,889)	4,625,037
Total non-depreciable capital assets	2,721,050	7,120,790	-	(5,185,889)	4,655,951
<u>Depreciable capital assets:</u>					
Buildings	76,307,142			2,053,458	78,360,600
Building improvements	1,079,460				1,079,460
Improvements other than buildings	3,435,715			3,132,431	6,568,146
Mobile equipment	550,410	216,718	32,156		734,972
Furniture and equipment	2,221,496	24,097			2,245,593
Total depreciable capital assets	83,594,223	240,815	32,156	5,185,889	88,988,771
<u>Less accumulated depreciation for:</u>					
Buildings	25,344,381	1,526,160			26,870,541
Building improvements	297,646	43,178			340,824
Improvements other than buildings	1,798,649	218,156			2,016,805
Mobile equipment	381,772	74,947	28,940		427,779
Furniture and equipment	2,091,805	69,899			2,161,704
Total accumulated depreciation	29,914,253	1,932,340	28,940	-	31,817,653
Total depreciable capital assets, net	53,679,970	(1,691,525)	3,216	5,185,889	57,171,118
Governmental activities capital assets, net	\$ 56,401,020	\$ 5,429,265	\$ 3,216	\$ -	\$ 61,827,069

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,787,494
Support services	129,892
Non-instructional	14,954
Total depreciation expense - Governmental activities	<u>\$ 1,932,340</u>

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

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	Spent to June 30, 2018	Remaining Commitment
Governmental Activities:		
Beems Fieldhouse Project	\$ 15,719	\$ -
RES Site Improvement Project	118,859	852,881
RES Gym/Classroom Building Project	117,815	-
RHS Gym Project	200,700	-
RHS Roofing Project	9,375	-
THS Fieldhouse Project	3,763,058	597,248
THS 9th Grade Project	57,676	-
THS Gym Project	326,116	-
UEMS Fieldhouse Project	15,719	-
Total construction in progress	<u>4,625,037</u>	<u>1,450,129</u>

The remaining commitment for various projects could not be determined as of June 30, 2018 because contracts had not been approved.

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation bonds payable	\$ 1,985,000	\$ 59,900,000	\$ 1,605,000	\$ 60,280,000	\$ 1,400,000
B. Limited obligation bonds payable	801,000		801,000	-	-
C. Three mill notes payable	16,323,000		735,000	15,588,000	750,000
D. Performance leases payable	1,891,972		323,876	1,568,096	352,726
E. Compensated absences payable	264,641		17,174	247,467	12,373
Total	<u>\$ 21,265,613</u>	<u>\$ 59,900,000</u>	<u>\$ 3,482,050</u>	<u>\$ 77,683,563</u>	<u>\$ 2,515,099</u>
 Add: Bond Premium	 105,815	 5,754,911	 205,842	 5,654,884	
Total	<u>\$ 21,371,428</u>	<u>\$ 65,654,911</u>	<u>\$ 3,687,892</u>	<u>\$ 83,338,447</u>	

A. General obligation bonds payable

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

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding					
bonds, Series 2010-A	2.0-3.375%	4/20/2010	4/1/2019	\$ 3,065,000	\$ 380,000
2. General obligation bonds,					
Series 2018	3.375-5.0%	3/7/2018	3/1/2048	59,900,000	59,900,000
Total				<u>\$ 62,965,000</u>	<u>\$ 60,280,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 380,000	\$ 12,825	\$ 392,825
Total	<u>\$ 380,000</u>	<u>\$ 12,825</u>	<u>\$ 392,825</u>

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

2. General obligation bonds issued on March 7, 2018:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,020,000	\$ 2,658,656	\$ 3,678,656
2020	1,060,000	2,662,919	3,722,919
2021	1,100,000	2,620,519	3,720,519
2022	1,145,000	2,576,519	3,721,519
2023	1,195,000	2,530,719	3,725,719
2024 – 2028	6,745,000	11,896,393	18,641,393
2029 – 2033	8,245,000	10,432,794	18,677,794
2034 – 2038	10,265,000	8,442,650	18,707,650
2039 – 2043	12,750,000	6,070,000	18,820,000
2044 – 2048	16,375,000	2,538,000	18,913,000
Total	<u>\$ 59,900,000</u>	<u>\$ 52,429,169</u>	<u>\$ 112,329,169</u>

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

Total general obligation bond payments for all issues:

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Year Ending June 30	Principal	Interest	Total
2019	\$ 1,400,000	\$ 2,671,481	\$ 4,071,481
2020	1,060,000	2,662,919	3,722,919
2021	1,100,000	2,620,519	3,720,519
2022	1,145,000	2,576,519	3,721,519
2023	1,195,000	2,530,719	3,725,719
2024 – 2028	6,745,000	11,896,393	18,641,393
2029 – 2033	8,245,000	10,432,794	18,677,794
2034 – 2038	10,265,000	8,442,650	18,707,650
2039 – 2043	12,750,000	6,070,000	18,820,000
2044 – 2048	16,375,000	2,538,000	18,913,000
Total	<u>\$ 60,280,000</u>	<u>\$ 52,441,994</u>	<u>\$ 112,721,994</u>

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, 2018, the amount of outstanding bonded indebtedness was equal to 14% of property assessments as of October 1, 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 of the District 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	\$ -
Total				<u>\$ 2,378,000</u>	<u>\$ -</u>

This debt was fully retired from the MAEP Retirement Fund during the fiscal year.

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	\$ 6,490,000
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>\$ 15,588,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
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	810,000	101,850	911,850
2024 – 2026	2,585,000	156,750	2,741,750
Total	<u>\$ 6,490,000</u>	<u>\$ 822,300</u>	<u>\$ 7,312,300</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
2019	\$ -	\$ 54,516	\$ 54,516
2020	-	54,516	54,516
2021	-	54,516	54,516
2022	-	54,516	54,516
2023	-	54,516	54,516
2024 – 2028	1,848,000	245,676	2,093,676
Total	<u>\$ 1,848,000</u>	<u>\$ 518,256</u>	<u>\$ 2,366,256</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
2019	\$ -	\$ 203,789	\$ 203,789
2020	-	203,789	203,789
2021	-	203,789	203,789
2022	-	203,789	203,789
2023	-	203,789	203,789
2024 – 2028	-	1,018,945	1,018,945
2029 – 2033	5,033,000	763,817	5,796,817
2034 – 2035	2,217,000	102,510	2,319,510
Total	<u>\$ 7,250,000</u>	<u>\$ 2,904,217</u>	<u>\$ 10,154,217</u>

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

Total three mill notes payable payments for all issues:

HINDS COUNTY SCHOOL DISTRICT
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Year Ending June 30	Principal	Interest	Total
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	810,000	360,155	1,170,155
2024 – 2028	4,433,000	1,421,371	5,854,371
2029 – 2033	5,033,000	763,817	5,796,817
2034 – 2035	2,217,000	102,510	2,319,510
Total	<u>\$ 15,588,000</u>	<u>\$ 4,244,773</u>	<u>\$ 19,832,773</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	\$ 1,178,997
2. Performance Leasing 2008	4.95%	1/14/2008	5/14/2022	938,625	389,099
Total				<u>\$ 3,761,700</u>	<u>\$ 1,568,096</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
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>\$ 1,178,997</u>	<u>\$ 123,383</u>	<u>\$ 1,302,380</u>

This debt will be retired from the District Maintenance Fund.

2. Performance lease issued on January 14, 2008:

Year Ending June 30	Principal	Interest	Total
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>\$ 389,099</u>	<u>\$ 40,286</u>	<u>\$ 429,385</u>

This debt will be retired from the District Maintenance Fund.

HINDS COUNTY SCHOOL DISTRICT
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Total performance leases payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
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>\$ 1,568,096</u>	<u>\$ 163,669</u>	<u>\$ 1,731,765</u>

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

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

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

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

E. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 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, 2018, 2017 and 2016 were \$4,008,519, \$4,259,847 and \$4,360,771, 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, 2018, the school district reported a liability of \$70,086,224 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was 0.421612 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.011191 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$8,183,300. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,042,798	\$ 511,399
Net difference between projected and actual earnings on pension plan investments		736,157
Changes of assumptions	1,648,454	122,599
Changes in proportion and differences between District contributions and proportionate share of contributions	213,695	2,412,809
District contributions subsequent to the measurement date	4,008,519	
Total	\$ <u>6,913,466</u>	\$ <u>3,782,964</u>

\$4,008,519 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2019	\$ 310,328
2020	284,183
2021	(118,717)

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

2022 (1,353,811)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 91,922,762	\$ 70,086,224	\$ 51,957,152

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$180,315 for the year ended June 30, 2018.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

At June 30, 2018, the District reported a liability of \$4,229,623 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.53907403 percent. This was a decrease of 0.01441583 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$192,369. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		215,371
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		100,136
District contributions subsequent to the measurement date	180,315	
Total	\$ <u>180,315</u>	\$ <u>315,507</u>

\$180,315 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$ (55,352)
2020	(55,352)
2021	(55,352)
2022	(55,352)
2023	(55,352)
Thereafter	(38,747)

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 4,341,325	\$ 4,229,623	\$ 4,146,439

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 3,906,341	\$ 4,229,623	\$ 4,598,684

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2019	\$ 210,410
2020	210,410
2021	200,959
2022	200,959
2023	200,959
2024 – 2028	954,796
2029 – 2033	954,796
2034 – 2038	852,986
2039 – 2043	775,043
Thereafter	827,542
Total	<u>\$ 5,388,860</u>

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To restate fund balance for the effect of recording the net OPEB liability, deferred outflows and inflows related to OPEB, and OPEB expense	\$ (4,352,761)
2. To correct prior year revenues and expenditures at the governmental fund level	15,291
Total	<u>\$ (4,337,470)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior year revenues	\$ 38,190
Title I Basic Fund	To correct prior year expenditures	(11,081)
Other governmental funds	To correct prior year expenditures	(11,818)
Total		<u>\$ 15,291</u>

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

Note 13 – Alternative School Consortium

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

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

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

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2018

Revenues	
Local sources	\$ -
State sources	-
Federal sources	-
Total Revenues	<u>-</u>
Expenditures	
Salaries	570,145
Employee benefits	177,950
Purchased professional and technical services	73,841
Purchased property services	74,092
Other purchased services	3,270
Supplies	13,655
Property	4,920
Other	1,314
Total Expenditures	<u>919,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(919,187)</u>
Other Financing Sources/Uses:	
Transfers in	<u>938,000</u>
Total Other Financing Sources/Uses	<u>938,000</u>
Net Change in Fund Balance	<u>18,813</u>
Fund Balance:	
July 1, 2017	<u>331</u>
June 30, 2018	<u>\$ 19,144</u>

Note 14 – Vocational School Consortium

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

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

Note 15 - Insurance loss recoveries

The Hinds County School District received \$3,032 in insurance loss recoveries during the 2017-2018 fiscal year related to property damage. 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 16 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$41,743,070 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$217,264 balance of deferred outflow of resources at June 30, 2018, will be recognized as an expense and decrease the net investment in capital assets net position over the next 8 years.

The unrestricted net position (deficit) amount of (\$55,319,895) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$4,008,519 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$2,904,947 balance of the deferred outflow of resources related to pensions at June 30, 2018 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$3,782,964 balance of the deferred inflow of resources related to pensions at June 30, 2018 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

The unrestricted net position (deficit) amount of (\$55,319,895) includes the effect of deferred inflows/outflows of resources related to OPEB. The deferred outflow of resources related to OPEB in the amount of \$180,315 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources totaling \$315,507 related to OPEB at June 30, 2018, will be recognized in OPEB expense over the next 6 years.

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 May 22, 2019 and determined that the following subsequent events had occurred which required disclosure in the notes to the financial statements:

Subsequent to June 30, 2018, the Mississippi Office of State Auditor began their audit of the district's state legal compliance on April 24, 2019. The district is responding to the results of those procedures and awaiting their report.

REQUIRED SUPPLEMENTARY INFORMATION

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HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 21,516,905	\$ 21,474,947	\$ 22,902,721	\$ (41,958)	\$ 1,427,774
State sources	26,402,892	26,402,892	25,325,319	-	(1,077,573)
Federal sources	379,500	379,500	177,303	-	(202,197)
Sixteenth section sources	491,700	491,700	554,414	-	62,714
Total Revenues	48,790,997	48,749,039	48,959,757	(41,958)	210,718
Expenditures:					
Instruction	24,464,698	24,958,442	24,690,232	(493,744)	268,210
Support services	22,937,501	21,863,823	21,988,027	1,073,678	(124,204)
Sixteenth section	253,700	83,277	83,277	170,423	-
Facilities acquisition and construction	-	124,204	-	(124,204)	124,204
Debt service:					
Principal	323,876	353,707	323,876	(29,831)	29,831
Interest	86,410	91,882	86,410	(5,472)	5,472
Total Expenditures	48,066,185	47,475,335	47,171,822	590,850	303,513
Excess (Deficiency) of Revenues over (under) Expenditures	724,812	1,273,704	1,787,935	548,892	514,231
Other Financing Sources (Uses):					
Insurance recovery	-	-	3,032	-	3,032
Operating transfers in	4,859,012	4,857,712	155,121	(1,300)	(4,702,591)
Other financing sources	-	-	450,000	-	450,000
Operating transfers out	(5,238,221)	(6,534,181)	(2,427,439)	(1,295,960)	4,106,742
Total Other Financing Sources (Uses)	(379,209)	(1,676,469)	(1,819,286)	(1,297,260)	(142,817)
Net Change in Fund Balances	345,603	(402,765)	(31,351)	(748,368)	371,414
Fund Balances:					
July 1, 2017, as previously reported	17,745,902	17,745,902	17,810,424	-	64,522
Prior period adjustments	-	(1,086)	38,190	(1,086)	39,276
July 1, 2017, as restated	17,745,902	17,744,816	17,848,614	(1,086)	103,798
June 30, 2018	\$ 18,091,505	\$ 17,342,051	\$ 17,817,263	\$ (749,454)	\$ 475,212

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, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,839,384	\$ 1,839,384	\$ 1,277,472	\$ -	\$ (561,912)
Total Revenues	1,839,384	1,839,384	1,277,472	-	(561,912)
Expenditures:					
Instruction	1,344,172	1,250,337	944,941	93,835	305,396
Support services	281,071	341,704	253,073	(60,633)	88,631
Noninstructional services	20,080	23,963	13,255	(3,883)	10,708
Total Expenditures	1,645,323	1,616,004	1,211,269	29,319	404,735
Excess (Deficiency) of Revenues over (under) Expenditures	194,061	223,380	66,203	29,319	(157,177)
Other Financing Sources (Uses):					
Operating transfers out	(265,358)	(55,122)	(55,122)	210,236	-
Total Other Financing Sources (Uses)	(265,358)	(55,122)	(55,122)	210,236	-
Net Change in Fund Balances	(71,297)	168,258	11,081	239,555	(157,177)
Fund Balances:					
July 1, 2017, as previously reported	-	-	-	-	-
Prior period adjustments	-	(11,081)	(11,081)	(11,081)	-
July 1, 2017, as restated	-	(11,081)	(11,081)	(11,081)	-
June 30, 2018	\$ (71,297)	\$ 157,177	\$ -	\$ 228,474	\$ (157,177)

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

HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.421612%	0.432803%	0.447344%	0.437787%
District's proportionate share of the net pension liability	\$ 70,086,224	77,309,423	69,150,561	53,139,326
District's covered payroll	27,046,648	27,687,435	27,947,492	26,751,029
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61%	57%	62%	67%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OPEB

Last 10 Fiscal Years*

		<u>2018</u>
District's proportion of the net OPEB liability	%	0.53907403
District's proportionate share of the net OPEB liability	\$	4,229,623
District's covered-employee payroll		24,219,114
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0%

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

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

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

HINDS CITY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2018
Contractually required contribution	\$ 180,315
Contributions in relation to the contractually required contribution	\$ 180,315
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	24,450,914
Contributions as a percentage of covered-employee payroll	0.74%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HINDS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For Year Ended June 30, 2018

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%.

2017:

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For Year Ended June 30, 2018

(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.

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

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

(2) *Changes in benefit provisions*

2017: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For Year Ended June 30, 2018

Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

HINDS COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	185MS326N1099	\$ 789,841
National School Lunch Program	10.555	185MS326N1099	2,681,928
Summer Food Service Program for Children	10.559	185MS326N1099	38,452
Total Child Nutrition Cluster			<u>3,510,221</u>
Total passed-through Mississippi Department of Education			<u>3,510,221</u>
Total U. S. Department of Agriculture			<u>3,510,221</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	<u>120,492</u>
Total U.S. Department of Defense			<u>120,492</u>
<u>U. S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Vocational Education – Basic Grants to States	84.048	V048A170024	50,165
Twenty First Century Community Learning Centers	84.287	ES287C170024	238,147
Supporting Effective Instruction State Grants	84.367	ES367A170023	289,566
Subtotal			<u>577,878</u>
Title I:			
Title I Grants to Local Educational Agencies	84.010	ES010A170024	<u>1,446,450</u>
Total Title I Cluster			<u>1,446,450</u>
Special Education Cluster:			
Special education - grants to states	84.027	H027A170108	1,072,490
Special education - preschool grants	84.173	H173A170113	2,660
Total Special Education Cluster			<u>1,075,150</u>
Total Passed-through Mississippi Department of Education			<u>3,099,478</u>
Total U. S. Department of Education			<u>3,099,478</u>
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	<u>175,113</u>
Total Passed-through Mississippi Department of Education			<u>175,113</u>
Total U. S. Department of Health and Human Services			<u>175,113</u>
Total for All Federal Awards			<u><u>\$ 6,905,304</u></u>

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

HINDS COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For Year Ended June 30, 2018

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hinds County School District under programs of the federal government for the year ended June 30, 2018. 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 Hinds County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hinds County School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

HINDS COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2018

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 34,405,422	27,568,924	1,790,985	3,217,921	1,827,592
Other	35,747,781	7,302,166	1,514,307	80,330	26,850,978
Total	\$ 70,153,203	34,871,090	3,305,292	3,298,251	28,678,570
Total number of students*	4,946				
Cost per student	\$ 14,183	7,050	668	667	5,798

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

OTHER INFORMATION

HINDS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 22,902,721	\$ 22,565,737	\$ 20,986,458	\$ 20,044,015
State sources	25,325,319	26,780,859	27,210,223	25,976,276
Federal sources	177,303	123,491	222,549	293,128
Sixteenth section sources	554,414	705,938	863,190	790,854
Total Revenues	<u>48,959,757</u>	<u>50,176,025</u>	<u>49,282,420</u>	<u>47,104,273</u>
Expenditures:				
Instruction	24,690,232	24,599,955	25,709,353	27,208,274
Support services	21,988,027	22,585,954	21,891,242	21,937,785
Sixteenth section	83,277	205,893	109,379	-
Facilities acquisition and construction	-	102,786	-	75,721
Debt service:				
Principal	323,876	297,184	272,114	248,581
Interest	86,410	101,719	115,751	128,585.00
Total Expenditures	<u>47,171,822</u>	<u>47,893,491</u>	<u>48,097,839</u>	<u>49,598,946</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,787,935</u>	<u>2,282,534</u>	<u>1,184,581</u>	<u>(2,494,673)</u>
Other Financing Sources (Uses):				
Insurance recovery	3,032	265,262	126,519	91,723
Sale of transportation equipment	-	3,510	-	-
Operating transfers in	155,121	430,634	222,782	131,733
Other Financing Sources (Uses):	450,000	-	400,000	1,700,000
Operating transfers out	(2,427,439)	(877,520)	(4,193,547)	(1,143,224)
Total Other Financing Sources (Uses)	<u>(1,819,286)</u>	<u>(178,114)</u>	<u>(3,444,246)</u>	<u>780,232</u>
Net Change in Fund Balances	<u>(31,351)</u>	<u>2,104,420</u>	<u>(2,259,665)</u>	<u>(1,714,441)</u>
Fund Balances:				
Beginning of period, as previously reported	17,810,424	15,681,615	17,941,280	12,570,268
Fund reclassification	-	24,389	-	7,085,453
Prior period adjustment	38,190	-	-	-
Beginning of period, as restated	<u>17,848,614</u>	<u>15,706,004</u>	<u>-</u>	<u>19,655,721</u>
End of Period	\$ <u>17,817,263</u>	\$ <u>17,810,424</u>	\$ <u>15,681,615</u>	\$ <u>17,941,280</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

HINDS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 28,157,537	\$ 28,313,129	\$ 25,350,694	\$ 25,395,386
State sources	27,036,006	28,077,900	28,611,827	27,524,490
Federal sources	6,905,304	6,919,808	7,489,688	6,816,975
Sixteenth section sources	566,583	747,155	917,989	834,163
Total Revenues	<u>62,665,430</u>	<u>64,057,992</u>	<u>62,370,198</u>	<u>60,571,014</u>
Expenditures:				
Instruction	30,770,188	27,676,532	29,242,587	30,162,246
Support services	24,113,646	24,495,270	23,826,005	24,183,488
Noninstructional services	3,524,644	3,655,704	3,751,365	3,611,895
Sixteenth section	83,455	205,893	109,495	75,961
Facilities acquisition and construction	7,120,790	3,049,035	1,151,648	250,397
Debt service:				
Principal	3,464,876	6,407,184	6,294,114	5,748,581
Interest	595,413	654,765	664,095	1,050,920
Other	480,191	172,677	90,401	49,530
Total Expenditures	<u>70,153,203</u>	<u>66,317,060</u>	<u>65,129,710</u>	<u>65,133,018</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(7,487,773)</u>	<u>(2,259,068)</u>	<u>(2,759,512)</u>	<u>(4,562,004)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	59,900,000	7,250,000	1,848,000	-
Insurance recovery	3,032	265,262	126,519	91,723
Sales of transportation equipment	-	3,510	-	2,378,000
Premiums on bonds issued	5,754,911	-	-	-
Operating transfers in	7,348,540	3,774,710	5,596,476	1,519,460
Other financing sources	454,774	-	400,000	1,700,000
Operating transfers out	(7,348,540)	(3,774,710)	(5,596,476)	(1,519,460)
Payment to refunded bond escrow agent	-	-	-	(2,338,634)
Total Other Financing Sources (Uses)	<u>66,112,717</u>	<u>7,518,772</u>	<u>2,374,519</u>	<u>1,831,089</u>
Net Change in Fund Balances	<u>58,624,944</u>	<u>5,259,704</u>	<u>(384,993)</u>	<u>(2,730,915)</u>
Fund Balances:				
Beginning of period, as previously reported	30,515,057	25,211,058	25,604,349	28,323,436
Prior period adjustment	15,291	28,974	-	-
Beginning of period, as restated	<u>30,530,348</u>	<u>25,240,032</u>	<u>25,604,349</u>	<u>28,323,436</u>
Increase (Decrease) in inventory	(8,194)	15,321	(8,298)	11,828
End of Period	\$ <u>89,147,098</u>	\$ <u>30,515,057</u>	\$ <u>25,211,058</u>	\$ <u>25,604,349</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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P.O. Box 41
Madison, MS 39130
p. 662-582-1825

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hinds County School District, as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise Hinds County School District's basic financial statements, and have issued our report thereon dated May 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hinds County 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.

JD CPA, PLLC

Madison, Mississippi
May 22, 2019



P.O. Box 41
Madison, MS 39130
p. 662-582-1825

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

Superintendent and School Board
Hinds County School District

Report on Compliance for Each Major Federal Program

We have audited Hinds County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hinds County School District's major federal programs for the year ended June 30, 2018. Hinds County 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 Hinds County 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 Hinds County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hinds County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

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 2018-001. 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 Hinds County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hinds County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Hinds County School District's internal control over compliance.

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

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

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

JD CPA, PLLC

Madison, Mississippi
May 22, 2019

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

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P.O. Box 41
Madison, MS 39130
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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Hinds County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinds County School District as of and for the year ended June 30, 2018, which collectively comprise Hinds County School District's basic financial statements and have issued our report thereon dated May 22, 2019. 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.

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

Finding 001

Section 29-3-119, Miss. Code Ann. (1972), requires that Mississippi Public School District's cases where a township (not a 'section') is occupied by two or more school districts, determine that nonexpendable revenues have been shared with/from the other districts.

During our test work we noted that the district did not properly calculate its shared revenues and payments were not made until after the fiscal year end on December 15, 2017.

Recommendation

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

Response

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

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

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

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

JD CPA, PLLC

Madison, Mississippi
May 22, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Hinds County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|---|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | | |
| a. | Material weakness(es) identified? (Yes/No) | No |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 3. Noncompliance material to financial statements noted? (Yes/No) | | |
| | | No |

Federal Awards:

- | | | |
|--|---|---|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? (Yes/No) | No |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. Type of auditor's 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/No) | | |
| | | Yes |
| 7. Identification of major programs: | | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 10.553; 10.555; 10.559 | Child Nutrition Cluster |
| 8. Dollar threshold used to distinguish between type A and type B programs: | | |
| | | \$750,000 |
| 9. Auditee qualified as low-risk auditee? (Yes/No) | | |
| | | No |
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) | | |
| | | Yes |

Hinds County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding related to the federal awards:

Finding 2018-001 Special Reporting

Federal Program Information:

U.S. Department of Education:

Program CFDA Numbers: 10.553; 10.555; 10.559

Program Title: Child Nutrition Cluster

Federal Award Year:

June 30, 2018

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 single 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.

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 and will result in the auditee being considered not a low-risk auditee in future audit period.

Hinds County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Number of years finding reported

Two (2) – 2017 & 2018

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 and financial statements are prepared timely.

Views of Responsible Official

The management agrees with this finding and will adhere to the correction action plan on page 85 in this audit report.

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



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

May 22, 2019

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, 2018.

Finding 2018-001

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, 2019

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

Hinds County School District
Auditee's Summary of Prior Year Audit Findings
For the Year Ended June 30, 2018

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Hinds County School District has prepared and hereby submits the following prior year Audit findings follow-up as of June 30, 2018:

Finding
2017-001

Status
Repeated 2018-001