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HINDS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

HINDS COUNTY SCHOOL DISTRICT

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FINANCIAL AUDIT REPORT



WATKINS, WARD AND STAFFORD
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INDEPENDENT AUDITORS' 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, 2015, and the related notes to financial statements, which collectively comprise the Hinds County School District's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial 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, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, and the Schedule of District Contributions on pages 5-12, 45-46, 47 and 48, 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 financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 information 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 June 1, 2016, on our consideration of the Hinds County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
June 1, 2016

Watkins Ward and Stafford, PLLC

WATKINS WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

HINDS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. 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 financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$52,686,026, including a prior period adjustment of (\$54,632,600) due primarily to the reporting of the net pension liability, which represents a 95% decrease from fiscal year 2014. Total net position for 2014 increased \$1,302,140, including a prior period adjustment of (\$21,207), which represents a 2% increase from fiscal year 2013.
- General revenues amounted to \$53,328,551 and \$51,400,229, or 86% and 85% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,034,186, or 14% of total revenues for 2015, and \$8,727,870, or 15% of total revenues for 2014.
- The District had \$60,416,163 and \$58,804,752 in expenses for fiscal years 2015 and 2014; only \$9,034,186 for 2015 and \$8,727,870 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$53,328,551 for 2015 and \$51,400,229 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$47,104,273 in revenues and \$49,598,946 in expenditures for 2015, and \$44,768,972 in revenues and \$47,885,139 in expenditures in 2014. The General Fund's fund balance increased by \$5,371,012 from 2014 to 2015, including a fund reclassification of \$7,085,453, and decreased by \$3,903,099 from 2013 to 2014, including a prior period adjustment of (\$22,207).
- Capital assets, net of accumulated depreciation, decreased by \$1,450,577 for 2015 and decreased by \$1,512,210 for 2014. The decrease for 2015 was due primarily to the increase in accumulated depreciation.
- Long-term debt, excluding bond premium, decreased by \$5,764,438 for 2015 and decreased by \$5,493,096 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$73,857 for 2015 and increased by \$33,401 for 2014.

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 financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

outflows, liabilities, and deferred inflows, with the difference reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to 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 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 as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,519,942 as of June 30, 2015.

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 25,367,312	\$ 28,413,436	(10.72) %
Restricted assets	574,953	564,991	1.76 %
Capital assets, net	55,683,096	57,133,673	(2.54) %
Total assets	81,625,361	86,112,100	(5.21) %
Deferred outflows of resources	6,840,447	380,932	1,695.71 %
Current liabilities	510,323	974,471	(47.63) %
Long-term debt outstanding	24,593,281	30,312,593	(18.87) %
Net pension liability	53,139,326	-	N/A %
Total liabilities	78,242,930	31,287,064	150.08 %
Deferred inflows of resources	7,702,936	-	N/A %
Net position:			
Net investment in capital assets	34,069,316	30,142,568	13.03 %
Restricted	7,235,260	7,600,569	(4.81) %
Unrestricted	(38,784,634)	17,462,831	(322.10) %
Total net position (deficit)	\$ 2,519,942	\$ 55,205,968	(95.44) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (38,784,634)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	54,301,161
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 15,516,527</u>

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

- Decrease in net capital assets in the amount of \$1,450,577.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The issuance of long-term debt in the amount of \$2,378,000 to advance refund outstanding long-term debt in the amount of \$2,320,000.
- The principal retirement of \$5,748,581 of long-term debt.
- The net pension liability in the amount of \$53,139,326.
- Deferred inflow of resources amount of 7,702,936
- Deferred outflow of resources amount of 6,541,101

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$62,362,737 and \$60,128,099, respectively. The total cost of all programs and services was \$60,416,163 for 2015 and \$58,804,752 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,556,060	\$ 1,537,015	1.24 %
Operating grants and contributions	7,478,126	7,190,855	3.99 %
General revenues:			
Property taxes	23,673,692	24,943,486	(5.09) %
Grants and contributions not restricted	26,863,340	25,422,426	5.67 %
Investment earnings	277,008	358,536	(22.74) %
Sixteenth section sources	704,164	596,306	18.09 %
Other	1,810,347	79,475	2,177.88 %
Total revenues	62,362,737	60,128,099	3.72 %
Expenses:			
Instruction	27,781,925	28,866,767	(3.76) %
Support services	23,789,587	25,139,014	(5.37) %
Non-instructional	3,599,676	3,408,226	5.62 %
Sixteenth section	75,961	103,778	(26.80) %
Pension expense	4,070,291	-	N/A %
Interest on long-term liabilities	1,098,723	1,286,967	(14.63) %
Total expenses	60,416,163	58,804,752	2.74 %
Increase (Decrease) in net position	1,946,574	1,323,347	47.09 %
Net Position, July 1, as previously reported	55,205,968	53,903,828	2.42 %
Prior Period Adjustment	(54,632,600)	(21,207)	257,515.88 %
Net Position, July 1, as restated	573,368	53,882,621	(98.94) %
Net Position (deficit), June 30	\$ 2,519,942	\$ 55,205,968	(95.44) %

Governmental activities

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 27,781,925	\$ 28,866,767	(3.76) %
Support services	23,789,587	25,139,014	(5.37) %
Non-instructional	3,599,676	3,408,226	5.62 %
Sixteenth section	75,961	103,778	(26.80) %
Pension Expense	4,070,291	-	N/A %
Interest on long-term liabilities	1,098,723	1,286,967	(14.63) %
Total expenses	\$ 60,416,163	\$ 58,804,752	2.74 %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (24,499,001)	\$ (25,723,606)	(4.76) %
Support services	(21,886,215)	(23,260,444)	(5.91) %
Non-instructional	210,577	266,668	(21.03) %
Sixteenth section	(38,324)	(72,533)	(47.16) %
Pension Expense	(4,070,291)	-	N/A %
Interest on long-term liabilities	(1,098,723)	(1,286,967)	(14.63) %
Total net (expense) revenue	\$ (51,381,977)	\$ (50,076,882)	2.61 %

- Net cost of governmental activities (\$51,381,977 for 2015 and \$50,076,882 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$23,673,692 for 2015 and \$24,943,486 for 2014) and state and federal revenues (\$26,863,340 for 2015 and \$25,422,426 for 2014). In addition, there was \$704,164 and \$596,306 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$277,008 for 2015 and \$358,536 for 2014.

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 \$25,604,349, a decrease of \$2,719,087, which includes an increase in inventory of \$11,828. \$11,748,369 or 46% 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 \$13,855,980 or 54% 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

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 \$5,371,012, which includes a fund reclassification of \$7,085,453. The fund balance of Other Governmental Funds showed a decrease in the amount of \$6,991,796, which includes a fund reclassification of (\$7,085,453) and an increase in inventory of \$11,828. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
GO Bond Issue Retirement Fund	\$ (1,098,303)

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, 2015, the District's total capital assets were \$82,168,687, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$274,863 from 2014. Total accumulated depreciation as of June 30, 2015, was \$26,485,591, and total depreciation expense for the year was \$1,751,638, resulting in total net capital assets of \$55,683,096.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 30,914	\$ 30,914	0.00 %
Construction in Progress	250,397	-	N/A %
Buildings	53,925,326	55,413,777	(2.69) %
Improvements other than buildings	1,104,553	1,215,264	(9.11) %
Mobile equipment	157,446	149,634	5.22 %
Furniture and equipment	214,460	324,084	(33.83) %
Total	\$ 55,683,096	\$ 57,133,673	(2.54) %

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

Debt Administration. At June 30, 2015, the District had \$24,548,155 in outstanding long-term debt, excluding bond premium, of which \$6,225,058 is due within one year. During the fiscal year, the District issued limited obligation refunding bonds in the amount of \$2,378,000 to advance refund outstanding limited obligation bonds in the amount of \$2,320,000. The District made principal payments totaling \$5,748,581 on outstanding long-term debt. The liability for compensated absences decreased \$73,857 from the prior year.

HINDS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 11,140,000	\$ 15,330,000	(27.33) %
Limited obligation refunding bonds payable	2,378,000	3,045,000	(21.90) %
Three mill notes payable	8,350,000	8,935,000	(6.55) %
Performance leases payable	2,461,270	2,709,851	(9.17) %
Compensated absences payable	218,885	292,742	(25.23) %
Total	<u>\$ 24,548,155</u>	<u>\$ 30,312,593</u>	(19.02) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

HINDS COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

HINDS COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,107,694
Investments	9,853,804
Due from other governments	4,320,625
Inventories	85,189
Restricted assets	574,953
Capital assets, non-depreciable:	
Land	30,914
Construction in progress	250,397
Capital assets, net of accumulated depreciation:	
Buildings	53,925,326
Improvements other than buildings	1,104,553
Mobile equipment	157,446
Furniture and equipment	214,460
Total Assets	<u>81,625,361</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	299,346
Deferred outflow related to pensions	6,541,101
Total Deferred Outflows of Resources	<u>6,840,447</u>
Liabilities	
Accounts payable and accrued liabilities	337,916
Interest payable on long-term liabilities	172,407
Long-term liabilities, due within one year:	
Capital related liabilities	5,942,000
Non-capital related liabilities	283,058
Long-term liabilities, due beyond one year:	
Capital related liabilities	15,926,000
Capital related bond premium	45,126
Non-capital related liabilities	2,397,097
Net pension liability	53,139,326
Total Liabilities	<u>78,242,930</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	7,702,936
Total Deferred Inflows of Resources	<u>7,702,936</u>
Net Position	
Net investment in capital assets	34,069,316
Restricted for:	
Expendable:	
School-based activities	4,285,410
Debt service	1,979,504
Forestry improvements	480,311
Unemployment benefits	378,950
Non-expendable:	
Sixteenth section	111,085
Unrestricted	(38,784,634)
Total Net Position	<u>\$ 2,519,942</u>

The accompanying notes to financial statements are an integral part of these financial statements.

HINDS COUNTY SCHOOL DISTRICT

Statement of Activities
For Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 27,781,925	\$ 598,791	\$ 2,684,133	\$ -	\$ (24,499,001)
Support services	23,789,587	91,723	1,811,649	-	(21,886,215)
Non-instructional	3,599,676	827,909	2,982,344	-	210,577
Sixteenth section	75,961	37,637	-	-	(38,324)
Pension expense	4,070,291	-	-	-	(4,070,291)
Interest on long-term liabilities	1,098,723	-	-	-	(1,098,723)
Total Governmental Activities	\$ 60,418,163	\$ 1,556,060	\$ 7,478,126	\$ -	\$ (51,381,977)

General Revenues:

Taxes:

General purpose levies	19,149,207
Debt purpose levies	4,524,485

Unrestricted grants and contributions:

State	26,570,212
Federal	293,128
Unrestricted investment earnings	277,008
Sixteenth section sources	704,164
Other	1,810,347
Total General Revenues	53,328,551

Change in Net Position 1,946,574

Net Position - Beginning, as previously reported 55,205,968
Prior Period Adjustments (54,632,600)

Net Position - Beginning, as restated 573,368

Net Position (deficit) - Ending \$ 2,519,942

The accompanying notes to financial statements are an integral part of these financial statements.

**HINDS COUNTY SCHOOL DISTRICT
Governmental Funds**

**Balance Sheet
June 30, 2015**

Exhibit C

	Major Funds			
	General Fund	GO Bond Issue Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,984,322	\$ 445,540	\$ 3,678,082	\$ 11,107,944
Cash with fiscal agents	-	-	4,404	4,404
Investments	9,493,429	-	930,674	10,424,103
Due from other governments	747,594	2,689,339	776,925	4,213,858
Due from other funds	2,943,990	-	2,000,000	4,943,990
Advance to other funds	1,058	-	-	1,058
Inventories	-	-	85,189	85,189
Total assets	\$ 20,170,393	\$ 3,134,879	\$ 7,475,274	\$ 30,780,546
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 229,113	-	\$ 108,803	\$ 337,916
Due to other funds	2,000,000	2,551,000	287,281	4,838,281
Total Liabilities	2,229,113	2,551,000	396,084	5,176,197
Fund Balances:				
Nonspendable:				
Inventory	-	-	85,189	85,189
Permanent fund principal	-	-	111,085	111,085
Advances	1,058	-	-	1,058
Restricted:				
Debt service	-	583,879	1,568,032	2,151,911
Forestry improvement purposes	-	-	480,311	480,311
Grant activities	-	-	3,251,176	3,251,176
Unemployment benefits	-	-	378,950	378,950
Child nutrition	-	-	947,987	947,987
Assigned:				
Improvement of facilities	5,870,184	-	256,460	6,126,644
Activity funds	321,669	-	-	321,669
Unassigned	11,748,369	-	-	11,748,369
Total Fund Balances	17,941,280	583,879	7,079,190	25,604,349
Total Liabilities and Fund Balances	\$ 20,170,393	\$ 3,134,879	\$ 7,475,274	\$ 30,780,546

The accompanying notes to financial statements are an integral part of these financial statements.

HINDS COUNTY SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015 Exhibit C-1

Total fund balances for governmental funds \$ 25,604,349

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		250,397
Buildings		76,294,540
Improvements other than buildings		2,857,017
Mobile equipment		539,496
Furniture and equipment		2,196,323
Accumulated depreciation		<u>(26,485,591)</u>
		55,683,096

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 (53,139,326)

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	6,541,101
Deferred inflows of resources related to pensions	<u>(7,702,936)</u>
	(1,161,835)

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

General obligation bonds	(11,140,000)
Limited obligation refunding bonds	(2,378,000)
Notes payable	(8,350,000)
Performance leases	(2,461,270)
Compensated absences	(218,885)
Unamortized charges	299,346
Unamortized premiums	(45,126)
Accrued interest payable	<u>(172,407)</u>
	(24,466,342)

Net Position of governmental activities \$ 2,519,942

The accompanying notes to financial statements are an integral part of these financial statements

HINDS COUNTY SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	GO Bond Issue Retirement Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 20,044,015	\$ 3,543,649	\$ 1,807,722	\$ 25,395,386
State sources	25,976,276	-	1,548,214	27,524,490
Federal sources	293,128	-	6,523,847	6,816,975
Sixteenth section sources	790,854	-	43,309	834,163
Total Revenues	47,104,273	3,543,649	9,923,092	60,571,014
Expenditures:				
Instruction	27,208,274	-	2,953,972	30,162,246
Support services	21,937,785	5,581	2,240,122	24,183,488
Noninstructional services	-	-	3,611,895	3,611,895
Sixteenth section	75,721	-	240	75,961
Facilities acquisition and construction	-	-	250,397	250,397
Debt service:				
Principal	248,581	4,190,000	1,310,000	5,748,581
Interest	128,585	443,793	478,542	1,050,920
Other	-	2,578	46,952	49,530
Total Expenditures	49,598,946	4,641,962	10,892,120	65,133,018
Excess (Deficiency) of Revenues over (under) Expenditures	(2,494,673)	(1,098,303)	(969,028)	(4,562,004)
Other Financing Sources (Uses):				
Insurance recovery	91,723	-	-	91,723
Refunding bonds issued	-	-	2,378,000	2,378,000
Payment to refunded bond escrow agent	-	-	(2,338,634)	(2,338,634)
Operating transfers in	131,733	-	1,387,727	1,519,460
Other financing sources	1,700,000	-	-	1,700,000
Operating transfers out	(1,143,224)	-	(376,236)	(1,519,460)
Total Other Financing Sources (Uses)	780,232	-	1,050,857	1,831,089
Net Change in Fund Balances	(1,714,441)	(1,098,303)	81,829	(2,730,915)
Fund Balances				
July 1, 2014, as previously reported	12,570,268	1,682,182	14,070,986	28,323,436
Fund reclassification	7,085,453	-	(7,085,453)	-
July 1, 2014, as restated	19,655,721	1,682,182	6,985,533	28,323,436
Increase (Decrease) in inventory	-	-	11,828	11,828
June 30, 2015	\$ 17,941,280	\$ 583,879	\$ 7,079,190	\$ 25,604,349

The accompanying notes to financial statements are an integral part of these financial statements.

**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 Year Ended June 30, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (2,730,915)

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	\$ 303,422	
Depreciation expense	<u>(1,751,638)</u>	(1,448,216)
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.		(2,361)
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:		
Refunding bonds issued	(2,378,000)	
Payments of debt principal	5,748,581	
Payments to refunded bond escrow agent	2,338,634	
Accrued interest payable	<u>85,036</u>	5,794,251
4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
Recording of pension expense for the current period	(4,070,291)	
Recording of contributions made subsequent to the measurement date	<u>4,401,730</u>	331,439
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	73,857	
Change in inventory	11,828	
Amortization of deferred charges, premiums and discounts	<u>(83,309)</u>	<u>2,376</u>
Change in Net Position of governmental activities	\$	<u>1,946,574</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

HINDS COUNTY SCHOOL DISTRICT
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,357,288
Total Assets	<u>\$ 2,357,288</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,159,592
Due to other funds	105,709
Advances from other funds	1,058
Due to student clubs	90,929
Total Liabilities	<u>\$ 2,357,288</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

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

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.

GO Bond Issue Retirement Fund - This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the District's general obligation bonds.

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 Financial Statements

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

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

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 school district has incurred deferred outflows which are presented as a deferred outflow from advance refunding of debt and a deferred outflow related to pensions. See Note 17 for further details.

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

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

inflow related to pensions. See Note 17 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. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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.

F. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. Also issued in conjunction to GASB 68 is GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to Measurement Date*. The objective of this Statement is to address an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. These Statements are effective for fiscal years beginning after June 15, 2014.

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.

HINDS COUNTY SCHOOL DISTRICT
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Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$11,107,944 and \$2,357,288, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$11,107,694 and a portion of restricted assets in the amount of \$250. The bank balance was \$16,100,905.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$16,100,905 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 \$4,404.

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Federated US Treasury Cash Reserve	Not Rated	less than 1 year	\$ 9,417
Fidelity Investment Bonds	Various	1 to 20 years	10,308,005
MS Dev Bank Special Obligation Bonds	A2/AA/A+	1 to 5 years	106,681
Total			<u>\$ 10,424,103</u>

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

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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, 2015, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2015, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	GO Bond Issue Retirement Fund	\$ 2,551,000
	Other governmental funds	287,281
	Fiduciary funds	105,709
Other governmental funds	General Fund	2,000,000
Total		\$ 4,943,990

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		\$ 1,058

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.

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C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,143,224
Other governmental funds	General Fund	131,733
	Other governmental funds	<u>244,503</u>
Total		<u>\$ 1,519,460</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance and investment balance, totaling \$4,404 and \$106,681, 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 and investment balance, totaling \$250 and \$463,618, respectively, of the MAEP Limited Obligation Bond Funds.

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 30,914	\$	\$	\$ 30,914
Construction-in-progress		250,397		250,397
Total non-depreciable capital assets	<u>30,914</u>	<u>250,397</u>	<u>-</u>	<u>281,311</u>
<u>Depreciable capital assets:</u>				
Buildings	76,294,540			76,294,540
Improvements other than buildings	2,857,017			2,857,017
Mobile equipment	529,244	33,311	23,059	539,496
Furniture and equipment	2,182,109	19,714	5,500	2,196,323
Total depreciable capital assets	<u>81,862,910</u>	<u>53,025</u>	<u>28,559</u>	<u>81,887,376</u>
<u>Less accumulated depreciation for:</u>				
Buildings	20,880,763	1,488,451		22,369,214
Improvements other than buildings	1,641,753	110,711		1,752,464
Mobile equipment	379,610	23,193	20,753	382,050
Furniture and equipment	1,858,025	129,283	5,445	1,981,863
Total accumulated depreciation	<u>24,760,151</u>	<u>1,751,638</u>	<u>26,198</u>	<u>26,485,591</u>
Total depreciable capital assets, net	<u>57,102,759</u>	<u>(1,698,613)</u>	<u>2,361</u>	<u>55,401,785</u>
Governmental activities capital assets, net	<u>\$ 57,133,673</u>	<u>\$ (1,448,216)</u>	<u>\$ 2,361</u>	<u>\$ 55,683,096</u>

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,623,355
Support services	124,981
Non-instructional	3,302
Total depreciation expense - Governmental activities	\$ 1,751,638

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
Governmental Activities:		
Utica Elementary School Reroofing	\$ 175,480	\$ 19,498
Terry High School Track Resurfacing	38,117	478,005
Raymond High School Track Resurfacing	36,800	359,850
Total construction in progress	\$ 250,397	\$ 857,353

Construction projects included in governmental activities are funded with operating transfers from the General Fund.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Refunding Adjustments	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 15,330,000	\$	\$ 4,190,000	\$	\$ 11,140,000	\$ 4,545,000
B. Limited obligation refunding bonds payable	3,045,000	2,378,000	725,000	(2,320,000)	2,378,000	787,000
C. Three mill notes payable	8,935,000		585,000		8,350,000	610,000
D. Performance leases payable	2,709,851		248,581		2,461,270	272,114
E. Compensated absences payable	292,742		73,857		218,885	10,944
Total	\$ 30,312,593	\$ 2,378,000	\$ 5,822,438	\$ (2,320,000)	\$ 24,548,155	\$ 6,225,058
Bond premium	62,037		16,911		45,126	
Total	\$ 30,374,630	\$ 2,378,000	\$ 5,839,349	\$ (2,320,000)	\$ 24,593,281	

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 2004	2.25-4.0%	12/30/2004	12/1/2017	\$ 3,560,000	\$ 735,000
2. General obligation refunding bonds, Series 2010-A	2.0-3.375%	4/20/2010	4/1/2019	3,065,000	1,445,000
3. General obligation refunding bonds, Series 2010-C	2.0-3.0%	4/20/2010	4/1/2017	2,345,000	715,000
4. General obligation refunding bonds, Series 2011	2.0-3.0%	7/28/2011	3/15/2018	8,770,000	8,245,000
Total				<u>\$ 17,740,000</u>	<u>\$ 11,140,000</u>

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

- General obligation refunding bond issue on December 30, 2004:

Year Ending June 30	Principal	Interest	Total
2016	\$ 335,000	\$ 21,508	\$ 356,508
2017	345,000	8,755	353,755
2018	55,000	1,100	56,100
Total	<u>\$ 735,000</u>	<u>\$ 31,363</u>	<u>\$ 766,363</u>

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

- General obligation refunding bond issue on April 20, 2010:

Year Ending June 30	Principal	Interest	Total
2016	\$ 345,000	\$ 45,688	\$ 390,688
2017	355,000	35,337	390,337
2018	365,000	24,688	389,688
2019	380,000	12,825	392,825
Total	<u>\$ 1,445,000</u>	<u>\$ 118,538</u>	<u>\$ 1,563,538</u>

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

- General obligation refunding bond issue on April 20, 2010:

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Year Ending June 30	Principal	Interest	Total
2016	\$ 350,000	\$ 21,450	\$ 371,450
2017	365,000	10,950	375,950
Total	\$ 715,000	\$ 32,400	\$ 747,400

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

4. General obligation refunding bond issue on July 28, 2011:

Year Ending June 30	Principal	Interest	Total
2016	\$ 3,515,000	\$ 194,475	\$ 3,709,475
2017	3,545,000	124,175	3,669,175
2018	1,185,000	35,550	1,220,550
Total	\$ 8,245,000	\$ 354,200	\$ 8,599,200

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 4,545,000	\$ 283,121	\$ 4,828,121
2017	4,610,000	179,217	4,789,217
2018	1,605,000	61,338	1,666,338
2019	380,000	12,825	392,825
Total	\$ 11,140,000	\$ 536,501	\$ 11,676,501

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, 2015, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2014.

B. Limited obligation bonds payable

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

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 787,000	\$ 25,281	\$ 812,281
2017	790,000	21,669	811,669
2018	801,000	10,910	811,910
Total	<u>\$ 2,378,000</u>	<u>\$ 57,860</u>	<u>\$ 2,435,860</u>

This debt will be retired from the MAEP Retirement Fund.

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

Advance Refunding

On May 20, 2015, the district issued \$2,378,000 in state aid capital improvement refunding bonds (Series 2015) with an average interest rate of 1.362% to advance refund \$2,320,000 of outstanding state aid capital improvement refunding bonds (Series 2007) with an average interest rate of 3.66%. The net proceeds of \$2,338,634, after payments of \$39,366 for issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the state aid capital improvement refunding bonds (Series 2007).

As a result, the state aid capital improvement refunding bonds (Series 2007) are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the state aid capital improvement refunding bonds (Series 2007) to reduce its total debt service payments over the remaining 3 years of the debt by approximately \$57,148.

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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 notes, Series 2006	4.0-5.0%	11/30/2006	4/1/2026	\$ 9,750,000	\$ 8,015,000
2. Limited tax refunding notes, Series 2010-B	2.0-3.0%	4/20/2010	3/1/2017	1,800,000	335,000
Total				<u>\$ 11,550,000</u>	<u>\$ 8,350,000</u>

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

1. Limited tax note issue on November 30, 2006:

Year Ending June 30	Principal	Interest	Total
2016	\$ 415,000	\$ 332,854	\$ 747,854
2017	495,000	312,104	807,104
2018	670,000	292,922	962,922
2019	695,000	266,122	961,122
2020	725,000	237,454	962,454
2021 – 2025	4,090,000	718,385	4,808,385
2026	925,000	38,850	963,850
Total	<u>\$ 8,015,000</u>	<u>\$ 2,198,691</u>	<u>\$ 10,213,691</u>

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

2. Limited tax refunding note issue on April 20, 2010:

Year Ending June 30	Principal	Interest	Total
2016	\$ 195,000	\$ 10,050	\$ 205,050
2017	140,000	4,200	144,200
Total	<u>\$ 335,000</u>	<u>\$ 14,250</u>	<u>\$ 349,250</u>

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

Total three mill notes payable payments for all issues:

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Year Ending June 30	Principal	Interest	Total
2016	\$ 610,000	\$ 342,904	\$ 952,904
2017	635,000	316,304	951,304
2018	670,000	292,922	962,922
2019	695,000	266,122	961,122
2020	725,000	237,454	962,454
2021 – 2025	4,090,000	718,385	4,808,385
2026	925,000	38,850	963,850
Total	\$ 8,350,000	\$ 2,212,941	\$ 10,562,941

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	\$ 1,848,475
2. Performance Leasing 2008	4.95%	1/14/2008	5/14/2022	938,625	612,795
Total				\$ 3,761,700	\$ 2,461,270

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

1. Performance lease issue on December 27, 2007:

Year Ending June 30	Principal	Interest	Total
2016	\$ 203,958	\$ 86,941	\$ 290,899
2017	222,754	76,423	299,177
2018	242,766	64,948	307,714
2019	264,396	52,447	316,843
2020	287,470	38,842	326,312
2021 – 2022	627,131	32,094	659,225
Total	\$ 1,848,475	\$ 351,695	\$ 2,200,170

This debt will be retired from the District Maintenance Fund.

2. Performance lease issue on January 14, 2008:

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Year Ending June 30	Principal	Interest	Total
2016	\$ 68,156	\$ 28,810	\$ 96,966
2017	74,430	25,296	99,726
2018	81,110	21,461	102,571
2019	88,330	17,285	105,615
2020	96,031	12,740	108,771
2021 – 2022	204,738	10,261	214,999
Total	\$ 612,795	\$ 115,853	\$ 728,648

This debt will be retired from the District Maintenance Fund.

Total obligations under energy efficiency leases payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 272,114	\$ 115,751	\$ 387,865
2017	297,184	101,719	398,903
2018	323,876	86,409	410,285
2019	352,726	69,732	422,458
2020	383,501	51,582	435,083
2021 – 2022	831,869	42,355	874,224
Total	\$ 2,461,270	\$ 467,548	\$ 2,928,818

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

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

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

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

E. Compensated absences payable

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

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 7 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Fifteen fax machines
2. Eleven postage machines
3. Forty-five copier machines
4. Five duplicator machines

Lease expenditures for the year ended June 30, 2015, amounted to \$150,206.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2016	\$ 33,844
2017	15,753
2018	8,772
2019	8,772
2020	8,772
Total	<u>\$ 75,913</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$4,401,730, \$4,213,287 and \$3,701,506, 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, 2015, the school district reported a liability of \$53,139,326 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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. At June 30, 2014, the school district's proportion was 0.437787 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$4,070,291. At June 30, 2015 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	\$ 828,958	\$
Net difference between projected and actual earnings on pension plan investments		7,702,936
Difference between net impact of entries and calculated balance of net pension liability	1,310,413	
District contributions subsequent to the measurement date	4,401,730	
Total	\$ 6,541,101	\$ 7,702,936

\$4,401,730 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (1,156,176)
2017	(1,156,176)
2018	(1,325,479)
2019	(1,925,734)

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

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

Discount rate. The discount rate used to measure the total pension liability was 8.00 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 rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 72,444,748	\$ 53,139,326	\$ 37,035,734

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

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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
2016	\$ 383,391
2017	249,929
2018	247,417
2019	210,411
2020	68,926
2021 – 2025	835,041
2026 – 2030	789,441
2031 – 2035	611,441
2036 – 2040	642,782
Thereafter	1,305,547
Total	\$ 5,344,326

Note 10 – Prior Period Adjustments

A summary of the prior period adjustment to Net Position/Fund Balance is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (58,845,887)
Deferred outflows - contributions made during fiscal year 2014	4,213,287
Total prior period adjustment related to GASB 68 and 71	\$ (54,632,600)
Total	\$ (54,632,600)

Note 11 – Fund Reclassification

A fund reclassification in the amount of \$7,085,453 was made to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 12 – 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 13 – 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 14 – Alternative School Consortium

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

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

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

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

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2015

Revenues	
Local sources	\$ -
State sources	-
Federal sources	-
Total Revenues	<u>-</u>
Expenditures	
Salaries	520,502
Employee benefits	173,584
Purchased professional and technical services	18,522
Purchased property services	147,360
Other purchased services	1,945
Supplies	23,519
Property	23,465
Other	240
Total Expenditures	<u>909,137</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(909,137)</u>
Other Financing Sources/Uses:	
Transfers in	<u>909,054</u>
Total Other Financing Sources/Uses	<u>909,054</u>
Net Change in Fund Balance	<u>(83)</u>
Fund Balance:	
July 1, 2014	<u>154</u>
June 30, 2015	<u>\$ 71</u>

Note 15 – Vocational School Consortium

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

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

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

Note 16 - Insurance loss recoveries

The Hinds County School District received \$91,723 in insurance loss recoveries during the 2014-2015 fiscal year related to vehicle damages and water damage to facilities. 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.

HINDS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 17 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$34,069,316 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$299,346 balance of the deferred outflow of resources at June 30, 2015, will be recognized as an expense and decrease the net investment in capital assets net position over the next 4 years.

The unrestricted net position amount of (\$38,784,634) 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 \$4,401,730 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, 2016. The \$2,139,371 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 3 years. The \$7,702,936 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years.

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Hinds County School District evaluated the activity of the district through June 1, 2016, (the date the financial statements were available to be issued) and determined that no subsequent event has occurred requiring disclosure in the notes to financial statements.

HINDS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 18,522,280	\$ 18,522,280	\$ 20,044,015	\$ -	1,521,735
State sources	25,572,030	25,572,030	25,976,276	-	404,246
Federal sources	225,000	225,000	293,128	-	68,128
Sixteenth section sources	-	-	790,854	-	790,854
Total Revenues	44,319,310	44,319,310	47,104,273	-	2,784,963
Expenditures:					
Instruction	28,966,838	27,538,094	27,208,274	1,428,744	329,820
Support services	23,177,088	21,937,785	21,937,785	1,239,303	-
Sixteenth section	-	75,721	75,721	(75,721)	-
Facilities acquisition and construction	125,000	-	-	125,000	-
Debt service:					
Principal	220,000	242,747	248,581	(22,747)	(5,834)
Interest	200,000	135,287	128,585	64,713	6,702
Total Expenditures	52,688,926	49,929,634	49,598,946	2,759,292	330,688
Excess (Deficiency) of Revenues over (under) Expenditures	(8,369,616)	(5,610,324)	(2,494,673)	2,759,292	3,115,651
Other Financing Sources (Uses):					
Insurance recovery	-	-	91,723	-	91,723
Operating transfers in	4,884,109	4,884,109	131,733	-	(4,752,376)
Other financing sources	-	-	1,700,000	-	1,700,000
Operating transfers out	(5,043,401)	(6,068,018)	(1,143,224)	(1,024,617)	4,924,794
Total Other Financing Sources (Uses)	(159,292)	(1,183,909)	780,232	(1,024,617)	1,964,141
Net Change in Fund Balances	(8,528,908)	(6,794,233)	(1,714,441)	1,734,675	5,079,792
Fund Balances:					
July 1, 2014, as previously reported	19,593,757	19,593,757	12,570,268	-	(7,023,489)
Fund reclassification	-	-	7,085,453	-	7,085,453
July 1, 2014, as restated	19,593,757	19,593,757	19,655,721	-	61,964
June 30, 2015	\$ 11,064,849	\$ 12,799,524	\$ 17,941,280	\$ 1,734,675	\$ 5,141,756

The accompanying notes to 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>2015</u>
District's proportion of the net pension liability (asset)	0.438%
District's proportionate share of the net pension liability (asset)	\$ 53,139,326
District's covered-employee payroll	26,751,029
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.64%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

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

HINDS COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Fiscal Years*

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

The accompanying notes to required supplementary information are an integral part of these schedule.

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

HINDS COUNTY SCHOOL DISTRICT
Notes to Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

There were no changes of benefit terms for the FYE 6/30/2015.

(2) Changes of assumptions

There were no changes of assumptions for the FYE 6/30/2015.

HINDS COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

HINDS COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education		
Child nutrition cluster		
School breakfast program	10.553	\$ 704,166
National school lunch program	10.555	2,486,286
Summer Feeding program	10.559	26,410
Total child nutrition cluster		<u>3,216,862</u>
Total passed-through Mississippi Department of Education		<u>3,216,862</u>
Total U.S. Department of Agriculture		<u>3,216,862</u>
<u>U.S. Department of Defense</u>		
Direct Program		
Reserve Officers' Training Corps	12.XXX	126,650
Total U.S. Department of Defense		<u>126,650</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	143,722
Total Federal Communications Commission		<u>143,722</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,434,476
Total Title I cluster		<u>1,434,476</u>
Career and Technical Education - Basic Grants to States	84.048	48,598
Rural Education	84.358	81,877
Improving Teacher Quality State Grants	84.367	246,372
Subtotal		<u>1,811,323</u>
Special education cluster:		
Special education - grants to states	84.027	1,273,119
Special education - preschool grants	84.173	48,117
Total special education cluster		<u>1,321,236</u>
Total passed-through Mississippi Department of Education		<u>3,132,559</u>
Total U.S. Department of Education		<u>3,132,559</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education		
Medical Assistance Program	93.778	147,890
Total passed-through Mississippi Department of Education		<u>147,890</u>
Total U.S. Department of Health and Human Services		<u>147,890</u>
Total for All Federal Awards		<u>\$ 6,767,683</u>

NOTES TO SCHEDULE

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

HINDS COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds
 For Year Ended June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 36,053,954	28,977,611	1,775,397	3,358,571	1,942,375
Other	29,079,064	3,032,497	1,361,930	119,291	24,565,346
Total	\$ 65,133,018	32,010,108	3,137,327	3,477,862	26,507,721
Total number of students*	5,887				
Cost per student	\$ 11,064	5,437	533	591	4,503

NOTES TO SCHEDULE

1. Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

HINDS COUNTY SCHOOL DISTRICT

OTHER INFORMATION

HINDS COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 20,044,015	\$ 19,914,261	\$ 19,816,513	\$ 18,566,457
State sources	25,976,276	24,717,455	24,669,759	24,949,276
Federal sources	293,128	137,256	207,024	707,315
Sixteenth sedction sources	790,854			
Total Revenues	<u>47,104,273</u>	<u>44,768,972</u>	<u>44,693,296</u>	<u>44,223,048</u>
Expenditures:				
Instruction	27,208,274	24,491,932	23,310,563	21,283,676
Support services	21,937,785	22,936,236	20,945,466	18,955,106
Noninstructional services				
Facilities acquisition and construction	75,721	90,184		3,500
Debt service:				
Principal	248,581	226,497	205,787	186,374
Interest	128,585	140,290	150,942	160,603
Other				
Total Expenditures	<u>49,598,946</u>	<u>47,885,139</u>	<u>44,612,758</u>	<u>40,589,259</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,494,673)</u>	<u>(3,116,167)</u>	<u>80,538</u>	<u>3,633,789</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	91,723	36,679	43,395	
Sale of transportation equipment				
Operating transfers in	131,733	128,100	591,181	138,817
Other financing sources	1,700,000			
Operating transfers out	(1,143,224)	(929,504)	(1,251,161)	(3,651,928)
Total Other Financing Sources (Uses)	<u>780,232</u>	<u>(764,725)</u>	<u>(616,585)</u>	<u>(3,513,111)</u>
Net Change in Fund Balances	<u>(1,714,441)</u>	<u>(3,880,892)</u>	<u>(536,047)</u>	<u>120,678</u>
Fund Balances:				
Beginning of period, as originally reported	12,570,268	16,473,367	17,034,740	16,852,501
Fund Reclassification	7,085,453	(22,207)	(25,326)	61,561
Beginning of period, as restated	<u>19,655,721</u>	<u>16,451,160</u>	<u>17,009,414</u>	<u>16,914,062</u>
End of Period	<u>\$ 17,941,280</u>	<u>\$ 12,570,268</u>	<u>\$ 16,473,367</u>	<u>\$ 17,034,740</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

HINDS COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 25,395,386	\$ 26,721,325	\$ 27,083,166	\$ 23,912,281
Intermediate sources	-	-	47,377	250
State sources	27,524,490	26,059,859	25,993,720	26,321,431
Federal sources	6,816,975	6,553,425	6,397,497	9,379,064
Sixteenth section sources	834,163	756,811	613,356	765,680
Total Revenues	<u>60,571,014</u>	<u>60,091,420</u>	<u>60,135,116</u>	<u>60,378,706</u>
Expenditures:				
Instruction	30,162,246	27,215,146	25,995,658	25,659,237
Support services	24,183,488	25,123,053	23,339,373	22,550,024
Noninstructional services	3,611,895	3,432,408	3,326,184	3,107,360
Sixteenth section	75,961	103,778	73,816	88,248
Facilities acquisition and construction	250,397	90,184	288,041	1,250,932
Debt service				
Principal	5,748,581	5,526,497	5,310,787	5,228,374
Interest	1,050,920	1,246,568	1,424,594	1,514,373
Debt issuance costs				
Other	49,530	8,548	11,548	88,389
Total Expenditures	<u>65,133,018</u>	<u>62,746,182</u>	<u>59,770,001</u>	<u>59,486,937</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(4,562,004)</u>	<u>(2,654,762)</u>	<u>365,115</u>	<u>891,769</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds/notes	2,378,000			8,770,000
Sale of transportation equipment				
Premium on debt issuance			43,395	56,645
Insurance loss recoveries	91,723	36,679		
Operating transfers in	1,519,460	1,305,376	2,037,706	3,939,496
Other financing sources	1,700,000			
Operating transfers out	(1,519,460)	(1,305,376)	(2,037,706)	(3,939,496)
Payment to refunded bond escrow agent	(2,338,634)			(8,749,145)
Total Other Financing Sources (Uses)	<u>1,831,089</u>	<u>36,679</u>	<u>43,395</u>	<u>77,500</u>
Net Change in Fund Balances	<u>(2,730,915)</u>	<u>(2,618,083)</u>	<u>408,510</u>	<u>969,269</u>
Fund Balances:				
Beginning of period, as originally reported	28,323,436	30,970,331	30,573,073	30,223,385
Prior period adjustments		(21,207)	(25,550)	(576,438)
Beginning of period, as restated	<u>28,323,436</u>	<u>30,949,124</u>	<u>30,547,523</u>	<u>29,646,947</u>
Increase in inventory	11,828	(7,605)	14,298	(43,143)
End of Period	<u>\$ 25,604,349</u>	<u>28,323,436</u>	<u>30,970,331</u>	<u>30,573,073</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE 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, 2015, 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 June 1, 2016.

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*.

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.

Watkins, Ward & Stafford PLLC
Jackson, Mississippi
June 1, 2016

Watkins Ward and Stafford, PLLC



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
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Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, CPA
Perry C. Rackley, Jr., CPA

**Independent Auditors' Report
on Compliance For Each Major Federal Program; Report on Internal Control Over Con
Required by OMB Circular A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hinds County School District's major federal programs for the year ended June 30, 2015. Hinds County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hinds County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each of its major federal programs for the year ended June 30, 2015.

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 OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC
June 1, 2016
Jackson, Mississippi

Watkins Ward and Stafford, PCC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



WATKINS, WARD AND STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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**INDEPENDENT AUDITORS' 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, 2015, which collectively comprise Hinds County School District's basic financial statements and have issued our report thereon dated June 1, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Watkins, Ward & Stafford PLLC
 Jackson, Mississippi
 June 1, 2016

Watkins Ward and Stafford, PLLC

HINDS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For Year Ended June 30, 2015

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | None reported |

5. Type of auditors' report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster
10.553; 10.555; 10.559	Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualified as low-risk auditee? No

HINDS COUNTY SCHOOL DISTRICT

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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