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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2007**

# HATTIESBURG PUBLIC SCHOOL DISTRICT

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# HOLT & ASSOCIATES, PLLC

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## INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Hattiesburg Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Hattiesburg Public School District, as of and for the year ended June 30, 2007, which collectively comprise the Hattiesburg Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hattiesburg Public School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Hattiesburg Public School District, as of June 30, 2007, 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2007, on our consideration of the Hattiesburg Public School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hattiesburg Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Holt & Associates P.C.*

December 6, 2007

## **Management's Discussion and Analysis**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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The discussion and analysis of Hattiesburg Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$4,416,094, which represents an increase of 27.3%
- General revenues account for \$39,290,190, or 74.7% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$13,276,055 or 25.3% of total revenues.
- Expenses amounted to \$48,150,151; only \$13,276,055 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$39,290,190 were adequate to provide for these programs.
- Among major funds, the General Fund had \$33,829,498 in revenues and \$33,342,099 in expenditures. The General Fund's fund balance decreased \$696,348 from the prior year. The decrease in General Fund's balance was anticipated due to the hurricane recovery receipts received in the prior year for expenditures paid in the current year.
- Capital assets, net of accumulated depreciation, increased by \$1,345,455.
- Long-term debt decreased by \$1,958,036. This decrease was due to principal payments made during the fiscal year on existing debt.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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 and interest on long-term liabilities.

The government-wide financial statements can be found on pages 13-14 of this report.

**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.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19, respectively.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Department of Education. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds. The basic governmental fund financial statements can be found on pages 16 - 19 of this report.

**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. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The School District's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 20.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-41 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 43-45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 47-48 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$20,592,026 as of June 30, 2007 and \$16,175,932 as of June 30, 2006.

The District's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. At June 30, 2007 \$8,184,790 or 40% comprise its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment), less any related debt used to acquire those assets that is still outstanding, restricted net assets, and unrestricted net assets. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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The restricted net assets of \$7,378,327 or 36% for 2007 and \$5,218,295 or 32% for 2006 are restricted to expenditures for certain school based activities, debt service, unemployment benefits, and 16<sup>th</sup> section investment purposes. The remaining portion of the net assets, or unrestricted net assets, is available for school expenditures.

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.

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2007 and 2006.

Current assets	\$ 14,275,216	\$ 13,369,427	6.78%
Other assets	3,027,920	3,026,595	0.04%
Capital assets, net	<u>27,597,370</u>	<u>26,251,915</u>	<u>5.13%</u>
<b>Total assets</b>	<b><u>\$ 44,900,506</u></b>	<b><u>\$ 42,647,937</u></b>	<b><u>5.28%</u></b>
Current liabilities	\$ 829,560	\$ 1,035,049	-19.85%
Long-term debt outstanding	<u>23,478,920</u>	<u>25,436,956</u>	<u>-7.70%</u>
<b>Total liabilities</b>	<b><u>\$ 24,308,480</u></b>	<b><u>\$ 26,472,005</u></b>	<b><u>-8.17%</u></b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ 8,184,790	\$ 5,081,441	61.07%
Restricted	7,378,327	5,218,295	41.39%
Unrestricted	<u>5,028,909</u>	<u>5,876,196</u>	<u>-14.42%</u>
<b>Total net assets</b>	<b><u>\$ 20,592,026</u></b>	<b><u>\$ 16,175,932</u></b>	<b><u>27.30%</u></b>

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

- The principal retirement of \$1,958,036 of long term debt.
- The addition of \$3,036,697 in capital assets, primarily from a grant to the Hattiesburg Public School Foundation, Inc. from the Cisco Company.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2007 and 2006 were \$52,566,245 and \$49,773,837, respectively. The total cost of all programs and services was \$48,150,151 in 2007 and \$42,587,306 in 2006. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

<b>Revenues:</b>	<b>Change in Net Assets</b>		<b>Percent</b>
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>Change</u></b>
Program revenues:			
Charges of services	\$ 529,259	\$ 501,448	5.55%
Operating grants and contributions	9,827,337	14,271,220	-31.14%
Capital grants and contributions	2,919,459	-	0.00%
General revenues:			
Property taxes	15,970,011	14,613,134	9.29%
Unrestricted grants and contributions	19,583,426	18,550,905	5.57%
Other	<u>3,736,753</u>	<u>1,837,130</u>	<u>103.40%</u>
<b>Total revenues</b>	<u><b>52,566,245</b></u>	<u><b>49,773,837</b></u>	<u><b>5.61%</b></u>
<b>Expenses:</b>			
Instruction	25,355,296	24,175,027	4.88%
Support services	18,718,136	14,376,364	30.20%
Non-instructional	2,990,694	2,875,166	4.02%
Sixteenth section	29,102	22,980	26.64%
Interest on long-term liabilities	<u>1,056,923</u>	<u>1,137,769</u>	-7.11%
<b>Total expenses</b>	<u><b>48,150,151</b></u>	<u><b>42,587,306</b></u>	<b>13.06%</b>
<b>Increase (decrease)</b> <b>in net assets</b>	<u><b>\$ 4,416,094</b></u>	<u><b>\$ 7,186,531</b></u>	<u><b>-38.55%</b></u>

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

	<u>2007</u>		<u>2006</u>	
	<u>Total</u> <u>Expense</u>	<u>Net (Expense)</u> <u>Revenue</u>	<u>Total</u> <u>Expense</u>	<u>Net (Expense)</u> <u>Revenue</u>
Instruction	\$ 25,355,296	\$ (20,452,447)	\$ 24,175,027	\$ (15,348,067)
Support services	18,718,136	(13,014,877)	14,376,364	(10,989,363)
Non-instructional	2,990,694	(320,747)	2,875,166	(316,459)
Sixteenth section	29,102	(29,102)	22,980	(22,980)
Interest on long-term Liabilities	<u>1,056,923</u>	<u>(1,056,923)</u>	<u>1,137,769</u>	<u>(1,137,769)</u>
<b>Total Expenses</b>	<u><b>\$ 48,150,151</b></u>	<u><b>\$ (34,874,096)</b></u>	<u><b>\$ 42,587,306</b></u>	<u><b>\$ (27,814,638)</b></u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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- Net cost of governmental activities in 2007 was (\$34,874,096) and in 2006 (\$27,814,638) financed by general revenue, which is made up of primarily property taxes in 2007 and 2006 of \$15,970,011 and \$14,613,134, respectively, and state revenue of \$18,860,095 in 2007 and \$18,238,564 in 2006.

**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, unreserved 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 \$16,754,067, an increase of \$1,069,620 due primarily to capital grant contributions from the Cisco Company. Of the fund balance, \$11,110,036 or 66% constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion, with the exception of \$2,907,587 of 16<sup>th</sup> section principal funds. These funds are permanent funds and are reported in the unreserved an undesignated section of the balance sheet but are available for investment purposes only. The remaining fund balance of \$2,736,444 or 16% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$696,348 anticipated by the budget due to amounts received in the prior year for hurricane recovery expenditures. The fund balance of Other Governmental Funds showed an increase of \$1,765,968.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Significant items related to budgetary revisions to the District's General Fund are presented as follows:

- Budget amounts for revenue from local sources were increased primarily to record additional amounts received for local ad valorem taxes and interest income. Whereas, the budgeted amounts from federal sources decreased substantially.
- Budget amounts for expenditures in the support services function were decreased primarily to record expected reductions in costs for salaries, wages, related employee benefits, purchased services, commodities, and equipment.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The District's total capital assets as of June 30, 2007 were \$42,889,620 including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,943,776 from the previous year, due primarily to the capital grant donation of equipment and monetary contributions for computer related equipment from the Cisco Company. Total accumulated depreciation as of June 30, 2007 was \$15,292,250 and total depreciation expense for the year was \$1,690,313 resulting in total net assets of \$27,597,370.

Additional information of the District's capital assets can be found in Note 4 on pages 32-33 of this report.

**Debt Administration.** At June 30, 2007, the District had \$23,478,920 in general and limited obligation bonds and other long-term debt outstanding, of which \$1,870,646 is due within one year.

Additional information of the District's long-term debt can be found in Note 5 on pages 33-38 of this report.

**CURRENT ISSUES**

The Hattiesburg Public School District is financially stable. The District receives enthusiastic community support for the public schools from the government and citizens of the City of Hattiesburg.

The District has committed itself to financial excellence for many years. The local ad valorem millage rate is at the maximum allowed under state law, which are 58.30 mills for Hattiesburg Public School District operations and an additional 7.54 mills for debt service. The District's system of financial planning, budgeting and internal financial controls are administered by experienced and dedicated professionals. The District plans to continue its sound fiscal management to meet the challenges of the future.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Hattiesburg Public School District, 301 Mamie Street, Hattiesburg, MS 39401, phone (601) 582-5078.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Government-Wide Financial Statements**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Exhibit A</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 11,292,652
Cash with fiscal agents	270,534
Due from other governments	2,443,549
Other receivables, net	65,644
Inventories and prepaid items	202,837
Restricted assets	3,027,920
Capital assets, non-depreciable:	
Land	165,301
Construction in progress	70,242
Capital assets, net of accumulated depreciation:	
Buildings	22,668,825
Building improvements	477,714
Improvement other than buildings	1,243,629
Mobile Equipment	387,928
Furniture and equipment	1,714,426
Leased property under capital leases	<u>869,305</u>
<b>Total Assets</b>	<b><u>\$ 44,900,506</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 549,069
Interest payable on long-term liabilities	280,491
Long-term liabilities, due within one year	
Capital related liabilities	1,684,396
Non-capital related liabilities	186,250
Long-term liabilities, due beyond one year	
Capital related liabilities	17,737,000
Non-capital related liabilities	<u>3,871,274</u>
<b>Total Liabilities</b>	<b><u>\$ 24,308,480</u></b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 8,184,790
Restricted net assets:	
Expendable:	
School-based activities	2,892,584
Debt service	654,671
Capital improvements	732,751
Unemployment benefits	190,734
Non-expendable:	
Sixteenth section	2,907,587
Unrestricted	<u>5,028,909</u>
<b>Total Net Assets</b>	<b><u>\$ 20,592,026</u></b>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Governmental Activities:</b>					
Instruction	\$ 25,355,296	\$ 10,492	\$ 4,892,357	\$ -	\$ (20,452,447)
Support Services	18,718,136	16,812	2,766,988	2,919,459	(13,014,877)
Noninstructional services	2,990,694	501,955	2,167,992	-	(320,747)
Sixteenth section	29,102	-			(29,102)
Interest and other expenses on long-term debt	1,056,923	-	-	-	(1,056,923)
<b>Total Governmental Activities</b>	<b>\$ 48,150,151</b>	<b>\$ 529,259</b>	<b>\$ 9,827,337</b>	<b>\$ 2,919,459</b>	<b>(34,874,096)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes - general purposes					14,100,457
Property taxes - debt service					1,869,554
Unrestricted grants and contributions					
State					18,860,095
Federal					723,331
Unrestricted investment earnings					617,993
Sixteenth Section sources					44,910
Other					3,073,850
Total General Revenues					39,290,190
Change in Net Assets					4,416,094
Net Assets - July 1					16,175,932
Net Assets - June 30					\$ 20,592,026

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Governmental Fund Financial Statements**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**

Exhibit C

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Title I Low Fund</u>	<u>16th Section Principal</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,181,057	\$ -	\$ 3,027,920	\$ 4,111,595	\$ 14,320,572
Cash with Fiscal Agents	-	-	-	270,534	270,534
Due from other governments	987,835	250,260	-	1,205,454	2,443,549
Due from other funds	1,184,380	335	-	463,231	1,647,946
Inventories and prepaid items	131,643	-	-	71,194	202,837
<b>Total Assets</b>	<b>\$ 9,484,915</b>	<b>\$ 250,595</b>	<b>\$ 3,027,920</b>	<b>\$ 6,122,008</b>	<b>\$ 18,885,438</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 254,021	\$ 15,127	\$ -	\$ 251,112	\$ 520,260
Due to other funds	144,461	235,468	120,333	1,110,849	1,611,111
<b>Total Liabilities</b>	<b>398,482</b>	<b>250,595</b>	<b>120,333</b>	<b>1,361,961</b>	<b>2,131,371</b>
Fund Balances:					
Reserved For:					
Unemployment Benefits				190,734	190,734
Inventory	76,734	-	-	71,194	147,928
Ad Valorem	1,388,275	-	-	-	1,388,275
Capital Projects	-	-	-	19,436	19,436
Debt Service	-	-	-	935,162	935,162
Permanent funds	-	-	2,907,587	-	2,907,587
Prepaid items	54,909	-	-	-	54,909
Unreserved:					
Undesignated, reported in:					
General fund	7,566,515	-	-	-	7,566,515
Special Revenue funds	-	-	-	2,821,390	2,821,390
Capital Projects funds	-	-	-	722,131	722,131
<b>Total Fund Balances</b>	<b>9,086,433</b>	<b>-</b>	<b>2,907,587</b>	<b>4,760,047</b>	<b>16,754,067</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,484,915</b>	<b>\$ 250,595</b>	<b>\$ 3,027,920</b>	<b>\$ 6,122,008</b>	<b>\$ 18,885,438</b>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2007**

**EXHIBIT C-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 16,754,067
 Amounts reported for governmental activities in the statement of net assets are different because:	
1 Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$15,292,250	27,597,370
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(23,478,920)
3 Interest payable on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.	<u>(280,491)</u>
Total Net Assets - Governmental Activities	<u>\$ 20,592,026</u>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds**  
**For the year ended June 30, 2007**

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Title I Low Fund	16TH SECTION PRINCIPAL	Other Governmental Funds	
<b>REVENUES</b>					
Local sources	\$ 14,845,983	\$ -	\$ -	\$ 7,919,800	\$ 22,765,783
State sources	18,259,685	-	-	1,406,302	19,665,987
Federal sources	723,830	1,996,889	-	7,024,057	9,744,776
Sixteenth section sources	-	-	120,333	44,910	165,243
<b>Total Revenues</b>	<b>33,829,498</b>	<b>1,996,889</b>	<b>120,333</b>	<b>16,395,069</b>	<b>52,341,789</b>
<b>EXPENDITURES</b>					
Instruction	19,855,374	930,625	-	4,575,930	25,361,929
Support services	12,656,511	812,084	-	6,182,882	19,651,477
Noninstructional services	212,501	71,818	-	2,717,652	3,001,971
Sixteenth section	-	-	-	29,102	29,102
Facilities acquisition and construction	395,522	-	-	63,529	459,051
Debt service:					
Principal	168,617	133,710	-	1,610,500	1,912,827
Interest	53,574	3,652	-	1,017,353	1,074,579
Other	-	-	-	5,693	5,693
<b>Total Expenditures</b>	<b>33,342,099</b>	<b>1,951,889</b>	<b>-</b>	<b>16,202,641</b>	<b>51,496,629</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>487,399</b>	<b>45,000</b>	<b>120,333</b>	<b>192,428</b>	<b>845,160</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance loss recoveries	9,841	-	-	213,636	223,477
Sale of other property	983	-	-	-	983
Operating transfers in	148,246	-	-	1,974,942	2,123,188
Operating transfers out	(1,342,817)	(45,000)	(120,333)	(615,038)	(2,123,188)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,183,747)</b>	<b>(45,000)</b>	<b>(120,333)</b>	<b>1,573,540</b>	<b>224,460</b>
<b>Net Change in Fund Balances</b>	<b>(696,348)</b>	<b>-</b>	<b>-</b>	<b>1,765,968</b>	<b>1,069,620</b>
<b>Fund Balances</b>					
July 1, 2006	9,769,786	-	2,907,587	2,987,440	15,664,813
Increase (Decrease) in reserve for inventory	12,995	-	-	6,639	19,634
June 30, 2007	<b>\$ 9,086,433</b>	<b>\$ -</b>	<b>\$ 2,907,587</b>	<b>\$ 4,760,047</b>	<b>\$ 16,754,067</b>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

**EXHIBIT D-1**

Net Change in fund balances - governmental funds \$ 1,069,620

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

1 Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchases amounted to \$3,036,697 and the depreciation expense amounted to \$1,690,313	1,346,384
2 The loss from the disposal of assets originally costing \$92,921 with accumulated depreciation of \$91,992 is recorded as a loss on the statement of activities but not recorded on the governmental funds statements.	(929)
3 Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity.	1,912,828
4 Change in compensated absences is not reported in the governmental funds, but is included as an expenditure on the statement of activities.	45,208
5 Decrease in accrued interest payable is reported in Expenditures-Debt Service-Interest in the governmental funds, but reduces the Interest Payable on Long Term Liabilities on the Statement of Net Assets.	23,349
6 An increase/decrease in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is change in noninstructional service expense in the Statement of Activities.	<u>19,634</u>
Change in net assets of governmental activities	<u>\$ 4,416,094</u>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2007**

**EXHIBIT E**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 1,547,792
Due from other funds	<u>28,808</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,576,600</u>
<b>LIABILITIES</b>	
Payroll payable	\$ 1,484,528
Due to other funds	65,643
Due to Student Clubs	<u>26,429</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,576,600</u>

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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### (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.**

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand alone government." The school district is a related organization of, but not a component unit of, the City of Hattiesburg since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

The Hattiesburg Public School District Leasing Authority ("the Authority") and The Hattiesburg Public School Foundation, explained in the following paragraphs are considered to be blended component units as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district.

The Hattiesburg Public School Foundation, Inc., a nonprofit organization, is governed by a five member board which was appointed by the school district's governing body. Although it is legally separate from the school district, it is reported as if it is part of the primary government because the school district has the ability to appoint, hire, reassign, or dismiss those persons responsibility for the day-to-day operations of the organization. The sole purpose of the Foundation is to receive grants, donations and gifts of real or personal property or both, to use and apply the funds exclusively for the educational purposes with a goal of enhancing the educational experience of the students of the Hattiesburg Public School District and to improve the quality of their instruction.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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### **B. Basis of Presentation.**

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

#### *Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

#### *Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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### C. **Measurement Focus and Basis of Accounting.**

In the government-wide Statement of Net Assets 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 recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Title I Low Funds - This fund accounts for revenues from federal funds for Title I Low-grants to local educational agencies and the expenses directly related to these revenues.

16<sup>th</sup> Section Principal Fund - This is a permanent fund for which the financing sources are earnings on investments and the sale of non-renewable resources. Only the earnings on investment may be transferred to the general fund for use by the District. The permanent assets of the fund may be borrowed by the general fund for limited purposes to be repaid with interest over a period of time not to exceed 20 years.

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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### C. **Measurement Focus and Basis of Accounting (continued).**

Additionally, the School District reports the following fund types:

#### **GOVERNMENTAL FUNDS**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally 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.

### D. **Account Classifications.**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 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.

### E. **Encumbrances.**

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are/are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

### F. **Cash and Cash Equivalents.**

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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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### **G. 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 a maturity greater than three months when acquired.

Investments are reported at fair value.

### **H. 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.

### **I. Capital Assets.**

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.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

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## I. Capital Assets (continued).

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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 4 for details.

## J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

## K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

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## L. Equity Classifications.

### *Government-wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

Reserved of capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

## HATTIESBURG PUBLIC SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2007

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#### L. **Equity Classifications (continued).**

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Reserved for prepaid items - An account that represents a portion of the fund balance which indicates that prepaid items do not represent available spendable resources even though they are a component of net current assets.

Unreserved - designated for, reported in Special Revenue Funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future uses.

Unreserved - designated for, reported in Capital Project Funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities,

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

#### M. **Property Taxes.**

Ad valorem property taxes are levied by the governing authority of the city 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.

#### N. **Mississippi Adequate Education Program Revenues.**

Revenues from the 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.

#### O. **Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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).

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2007

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### O. **Compensated Absences (continued).**

The liability for these compensated absences is recorded as long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

### P. **Other Significant Accounting Policies.**

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), *et seq.*, and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), *et seq.*, are maintained by the governing authority of the city and are not included in the government-wide financial statements of the school district. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the city prior to April 15, 1986, or March 3, 1987, as the case may be.

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the city who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of school district related debt.

### (2) **Cash and Cash Equivalents and with Fiscal Agents.**

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

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2007

**(2) Cash and Cash Equivalents and with Fiscal Agents (continued).**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,320,572 and \$1,547,792, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$11,292,652 and restricted assets - \$3,027,920. The restricted assets represent the cash balance 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. The bank balance was \$18,096,504.

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 formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on the behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, \$785,604 of the district's bank balance of \$18,096,504 was exposed to custodial risk.

**Cash with Fiscal Agents.**

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$270,534.

**(3) Interfund Transactions and Balances.**

The following is a summary of interfund transactions and balances:

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

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 1,184,380	\$ 144,461
Title I	335	235,468
16 <sup>th</sup> Section Principal Fund	-	120,333
Other governmental funds	463,231	1,110,849
Total	1,647,946	1,611,111
Fiduciary Funds	28,808	65,643
Total Funds	<u>\$ 1,676,754</u>	<u>\$ 1,676,754</u>

The amounts due to or from other funds represent amounts advanced or received for timing differences between revenues and expenditures and cash balances.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2007

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**(3) Interfund Transactions and Balances (continued).**

**B. Transfers In/Out:**

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 148,246	\$ 1,342,817
Title I	-	45,000
16 <sup>th</sup> Section Principal Fund	-	120,333
Other governmental funds	1,974,942	615,038
Total Funds	<u>\$ 2,123,188</u>	<u>\$ 2,123,188</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2007

**(4) Capital Assets.**

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

	BALANCE 7/1/2006	ADDITIONS	RETIRE.	COMPLETED CONST.	ADJUST.	BALANCE 6/30/2007
<b><u>NON-DEPRECIABLE CAPITAL</u></b>						
LAND	\$ 165,301	\$ -	\$ -	\$ -	\$ -	\$ 165,301
CONSTRUCTION IN PROGRESS	-	70,242	-	-	-	70,242
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	<u>165,301</u>	<u>70,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,543</u>
<b><u>DEPRECIABLE CAPITAL ASSETS</u></b>						
BUILDINGS	33,158,386	-	-	-	-	33,158,386
BUILDINGS IMPROVEMENTS	133,452	371,560	-	-	-	505,012
IMPROVEMENTS OTHER THAN BLDGS	1,231,672	370,177	-	-	648,164	2,250,013
MOBILE EQUIPMENT	1,338,099	81,759	-	-	-	1,419,858
FURNITURE AND EQUIPMENT	1,601,084	2,142,959	(92,921)	-	399,921	4,051,043
LEASED PROPERTY-CAPITAL LEASES	2,317,850	-	-	-	(1,048,085)	1,269,765
TOTAL DEPRECIABLE CAPITAL ASSETS	<u>39,780,543</u>	<u>2,966,455</u>	<u>(92,921)</u>	<u>-</u>	<u>-</u>	<u>42,654,077</u>
<b><u>LESS ACCUMULATED DEPRECIATION FOR:</u></b>						
BUILDINGS	9,990,587	498,974	-	-	-	10,489,561
BUILDINGS IMPROVEMENTS	7,098	20,200	-	-	-	27,298
IMPROVEMENTS OTHER THAN BLDGS	771,668	27,304	-	-	207,412	1,006,384
MOBILE EQUIPMENT	955,216	76,714	-	-	-	1,031,930
FURNITURE AND EQUIPMENT	1,231,223	801,464	(91,992)	-	395,922	2,336,617
LEASED PROPERTY-CAPITAL LEASES	738,137	265,657	-	-	(603,334)	400,460
TOTAL ACCUMULATED DEPRECIATION	<u>13,693,929</u>	<u>1,690,313</u>	<u>(91,992)</u>	<u>-</u>	<u>-</u>	<u>15,292,250</u>
TOTAL DEPR. CAPITAL ASSETS, NET	<u>26,086,614</u>	<u>1,276,142</u>	<u>(929)</u>	<u>-</u>	<u>-</u>	<u>27,361,827</u>
<b>GOVERNMENTAL ACTIVITIES</b>						
CAPITAL ASSETS, NET	\$ 26,251,915	\$ 1,346,384	\$ (929)	\$ -	\$ -	\$ 27,597,370

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 27,527
Support services	1,611,959
Non-instructional	<u>50,827</u>
Total depreciation expense	<u>\$1,690,313</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2007

**(4) Capital Assets (continued).**

Commitments under construction contracts at June 30, 2007, are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Resurfacing HHS athletic field	\$ 729,833	0

**(5) Long-term liabilities.**

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

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2007</u>	<u>Amounts Due within One year</u>
A. General obligation bonds payable	\$ 14,176,000	\$ -	\$ 650,500	\$ 13,525,500	\$ 757,000
B. Limited obligation bonds payable	7,200,000	-	445,000	6,755,000	465,000
C. Three mill notes payable	2,595,000	-	515,000	2,080,000	540,000
D. Obligations under capital leases	1,174,211		248,314	925,897	108,646
E. Obligations under energy efficiency lease	54,013		54,013	-	-
F. Compensated absences payable	237,732		45,209	192,523	-
	<u>\$ 25,436,956</u>	<u>\$ -</u>	<u>\$ 1,958,036</u>	<u>\$ 23,478,920</u>	<u>\$ 1,870,646</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2007

**(5) Long-term liabilities (continued).**

**A. General obligation bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2002	4.55 net	4/1/2002	4/1/2018	\$8,000,000	\$7,015,000
General obligation bonds, Series 2002-A	3.96 net	10/1/2002	10/1/2013	1,750,000	1,460,000
General obligation bonds, Series 2003-A	3.74 net	4/15/2003	4/15/2019	5,250,000	4,725,000
General obligation Refunding bonds, Series 2004	varies	9/1/2004	12/15/2008	768,000	325,500
Total				<u>\$15,768,000</u>	<u>\$13,525,500</u>

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

Year Ended 30-Jun	Principal	Interest	Total
2008	\$ 757,000	\$ 574,950	\$ 1,331,950
2009	873,500	531,448	1,404,948
2010	810,000	496,425	1,306,425
2011	985,000	455,336	1,440,336
2012	1,110,000	410,313	1,520,313
2013 - 2017	6,390,000	1,300,481	7,690,481
2018- 2022	2,600,000	141,543	2,741,543
Total	<u>\$ 13,525,500</u>	<u>\$ 3,910,496</u>	<u>\$ 17,435,996</u>

The amount of bonded indebtedness that can be incurred by the School District is limited by state statute. 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 state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 5.2% of property assessments as of October 1, 2006. This debt will be retired from the Bond Debt Service Fund.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2007

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**(5) Long-term liabilities (continued).**

**B. Limited obligation bonds payable.**

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

Description	Rate	Date	Date	Issued	Outstanding
State aid capital improvement					
Bond Series 1998	4.5-6.75	6/1/1998	2/1/2018	\$ 8,575,000	\$ 6,755,000

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

Year Ended 30-Jun	Principal	Interest	Total
2008	\$ 465,000	\$ 301,018	\$ 766,018
2009	490,000	278,950	768,950
2010	500,000	256,676	756,676
2011	520,000	233,466	753,466
2012	540,000	209,086	749,086
2013 - 2017	3,150,000	625,660	3,775,660
2018- 2022	1,090,000	40,951	1,130,951
Total	\$ 6,755,000	\$ 1,945,807	\$ 8,700,807

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. This debt will be retired from the MAEP Debt Service Fund.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2007

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(5) **Long-term liabilities (continued).**

**C. Three mill notes payable.**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 1998	4.3-5.75	6/30/1998	6/1/2003	\$ 1,420,000	\$ 175,000
Limited Tax Notes, Series 1999	4.1-5.0	4/30/1999	5/1/2009	2,580,000	775,000
Limited Tax Notes, Series 2003	2.5-3.45	7/4/2003	6/1/2011	1,000,000	835,000
Limited Tax Notes, Series 2005	3.2	4/15/2005	4/15/2011	<u>350,000</u>	<u>295,000</u>
<b>Total</b>				<u>\$ 5,350,000</u>	<u>\$ 2,080,000</u>

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

Year Ended 30-Jun	Principal	Interest	Total
2008	\$ 540,000	\$ 157,774	\$ 697,774
2009	565,000	119,454	684,454
2010	580,000	120,549	700,549
2011	<u>395,000</u>	<u>121,644</u>	<u>516,644</u>
<b>Total</b>	<u>\$ 2,080,000</u>	<u>\$ 519,421</u>	<u>\$ 2,599,421</u>

This debt will be retired from the Three Mill Debt Service Fund.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

### (5) Long-term liabilities (continued).

#### D. Obligations under capital leases

The school district has entered into three lease agreements that qualify as capital leases for accounting purposes. Leased property under these leases is composed of:

1. The school district has entered into a master lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of two buses, one 30 passenger mini bus, two driver's education cars, and two service trucks for a total of \$283,266 at 4.66%. The original issue date was October 17, 2001. This lease expires September 10, 2011, and does not contain any renewal options. The district will take possession of the assets at the expiration of the term. The debt will be retired from the General Fund.
2. The school district has entered into a master lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of ten buses for a total of \$486,000 at 4.13%. The original issue date was September 10, 2004. This lease expires September 10, 2014, and does not contain any renewal options. The district will take possession of the assets at the expiration of the term. The debt will be retired from the General Fund.
3. The school district has entered into a master lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of ten buses for a total of \$499,999 at 5.08%. The original issue date was May 23, 2006. This lease expires October 10, 2015, and does not contain any renewal options. The district will take possession of the assets at the expiration of the term. The debt will be retired from the General Fund.

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

Year Ending June 30,	Principal	Interest & Maintenance	Total
2008	108,646	41,641	150,287
2009	113,694	36,592	150,286
2010	118,980	31,307	150,287
2011	124,514	25,773	150,287
2012	117,018	19,984	137,002
2013 - 2017	343,045	29,873	372,918
Total	<u>\$ 925,897</u>	<u>\$ 185,170</u>	<u>\$ 1,111,067</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2007

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**(5) Long-term liabilities (continued).**

**F. Compensated absences payable.**

As more fully explained in Note 1(O), 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.

**(6) Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of 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.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 11.3% 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, 2007, 2006, and 2005 were \$2,729,263, \$2,317,881, and \$2,212,767, respectively, which equaled the required contributions for each year.

**(7) Other Commitments.**

Operating leases:

The School District has several operating leases for the following:

1. 47 Copiers
2. 2 Risographs

Lease expenditures for the year ended June 30, 2007, amounted to \$115,178. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2008	\$ 117,689
2009	95,968
2010	71,555
2011	41,152
Total	<u>\$ 326,364</u>

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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(8) **Sixteenth Section Lands.**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from 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
2008	\$ 18,569
2009	18,524
2010	18,524
2011	17,817
2012	17,817
2013 - 2017	131,195
2018 - 2022	174,252
2023 - 2027	159,243
2028 - 2032	195,926
Thereafter	<u>198,260</u>
Total	<u>\$ 950,127</u>

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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**(9) 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.

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

**(10) Trust Certificates.**

A trust agreement dated December 15, 1993, was executed by and between the School District and Trustmark National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,500,000. Approximately \$1,455,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$45,000 was used to pay the cost of issuance.

The project is leased to the School District in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the School District upon complete retirement of the trust certificates. The School District is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the School District are used by the trustee to pay the principal and interest payments due on the trust certificates.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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**(10) Trust Certificates (continued).**

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the School District defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the School District. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the School District. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the School District's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2007**

**SCHEDULE 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$13,582,008	\$14,857,200	\$14,845,983	\$1,275,192	(\$11,217)
State sources	18,162,923	18,258,341	18,259,685	95,418	1,344
Federal sources	1,259,820	755,000	723,830	(504,820)	(31,170)
Total Revenues	33,004,751	33,870,541	33,829,498	865,790	(41,043)
<b>Expenditures:</b>					
Instruction	19,714,247	20,067,707	19,855,374	(353,460)	212,333
Support services	15,295,936	12,989,462	12,656,511	2,306,474	332,951
Noninstructional services	222,732	222,732	212,501	-	10,231
Facilities Acquisition & construction	240,000	420,000	395,522	(180,000)	24,478
Debt service:					
Principal	213,596	173,596	168,617	40,000	4,979
Interest	65,352	55,352	53,574	10,000	1,778
Total Expenditures	35,751,863	33,928,849	33,342,099	1,823,014	586,750
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	(2,747,112)	(58,308)	487,399	2,688,804	545,707
<b>Other Financing Sources (Uses):</b>					
Inception of capital leases	500,000	-	-	(500,000)	-
Insurance loss recoveries	500	10,000	9,841	9,500	(159)
Sale of transportation property	2,000	-	-	(2,000)	-
Sale of other property	3,000	1,000	983	(2,000)	(17)
Indirect costs	157,433	157,433	-	-	(157,433)
Operating transfers in	4,947,480	4,742,408	4,860,099	(205,072)	117,691
Operating transfers out	(6,123,134)	(6,081,212)	(6,054,670)	41,922	26,542
Total Other Financing Sources Uses)	(512,721)	(1,170,371)	(1,183,747)	(657,650)	(13,376)
<b>Net Change in Fund Balances</b>					
	(3,259,833)	(1,228,679)	(696,348)	2,031,154	532,331
<b>Fund Balances:</b>					
July 1, 2006	8,060,000	9,651,747	9,769,786	1,591,747	118,039
Prior period adjustments	-	131,038	-	131,038	(131,038)
July 1, 2006, restated	8,060,000	9,782,785	9,769,786	1,722,785	(12,999)
Increase (decrease) in reserve for inventory	-	-	12,995	-	12,995
June 30, 2007	\$ 4,800,167	\$ 8,554,106	\$ 9,086,433	\$ 3,753,939	\$ 532,327

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Title I - Grant to Local Education Fund**  
**For the Year Ended June 30, 2007**

**SCHEDULE 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	2,109,416	2,656,949	1,996,889	547,533	(660,060)
<b>Total Revenues</b>	<b>2,109,416</b>	<b>2,656,949</b>	<b>1,996,889</b>	<b>547,533</b>	<b>(660,060)</b>
<b>Expenditures:</b>					
Instruction	999,082	1,399,061	930,625	(399,979)	468,436
Support services	846,332	993,546	812,084	(147,214)	181,462
Noninstructional services	81,536	81,876	71,818	(340)	10,058
Debt service					
Principal	133,812	133,812	133,710	-	102
Interest	3,654	3,654	3,652	-	2
<b>Total Expenditures</b>	<b>2,064,416</b>	<b>2,611,949</b>	<b>1,951,889</b>	<b>(547,533)</b>	<b>660,060</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>					
Indirect costs transfers out	(45,000)	(45,000)	(45,000)	-	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
July 1, 2006	-	-	-	-	-
June 30, 2007	\$ -	\$ -	\$ -	\$ -	\$ -

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2007**

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Budgetary Comparison Schedules

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Supplemental Information**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Catalog of Federal Domestic Assistance</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 135,938
Child nutrition cluster:		
School breakfast program	10.553	565,254
National school lunch program	10.555	1,431,393
Summer food service program for children	10.559	71,963
Total child nutrition cluster		2,068,610
Total U. S. Department of Agriculture		2,204,548
<b><u>U.S. Department of Defense</u></b>		
Direct programs:		
Reserve Officers' Training Corps	12.XXX	63,045
<b><u>U.S. Department of Justice</u></b>		
Passed-through City of Hattiesburg		
Public safety partnership and community policing grants	16.710	30,910
<b><u>Federal Communication Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	564,309
<b><u>U.S. Department of Education</u></b>		
Direct programs:		
Gaining Early Awareness for Readiness in Undergraduate Programs	84.334	21,538
Passed-through Mississippi Board for Community and Junior Colleges		
Adult education - state grant program	84.002	97,577
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	2,076,462
Vocational education - basic grants to states	84.048	95,124
Safe and drug-free schools and communities - state grants	84.186	57,338
Foreign language assistance	84.293	307,364
State grants of innovative programs	84.298	15,316
Education technology state grants	84.318	59,702
Teacher quality enhancement grant	84.336	500
Reading first state grants	84.357	1,627,527
English language acquisition grant	84.365	17,111
Improving teacher quality state grant	84.367	485,987
Total		4,742,431

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b>Passed-through Mississippi Department of Education (continued):</b>		
Special education cluster:		
Special education - grants to states	84.027	1,407,277
Special education - preschool grants	84.173	44,735
Total		<u>1,452,012</u>
Total passed-through Mississippi Department of Education		<u>6,194,443</u>
Total U.S. Department of Education		<u>6,313,558</u>
 <b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Health and Human Services:		
Child care and development block grant	93.575	335,819
Developmental disabilities basic support and advocacy grants	93.630	19,145
Medical Assistance Program	93.778	159,022
Total U.S. Department of Health and Human Services		<u>513,986</u>
 <b><u>Department of Homeland Security</u></b>		
Passed-through Mississippi Emergency Management Agency		
Disaster Grants-Public Assistance (Presidentially declared disasters)	97.036	<u>54,420</u>
<b>Total for All Federal Awards</b>		<b><u>\$ 9,744,776</u></b>

**NOTES TO THE 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.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Instruction, Administrative, and Other Expenditures – Governmental Funds**  
**For the Year Ended June 30, 2007**

<u>Expenditures</u>	<u>Total</u>	<u>Instructional and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and Fringe Benefits	\$ 32,795,079	\$ 25,592,864	\$ 1,117,098	\$ 2,292,719	\$ 3,792,398
Other	18,701,550	4,744,935	771,418	287,192	12,898,005
<b>Total</b>	<b>\$ 51,496,629</b>	<b>\$ 30,337,799</b>	<b>\$ 1,888,516</b>	<b>\$ 2,579,911</b>	<b>\$ 16,690,403</b>
Number of Students	<u>4117</u>				
Cost per student	<u>\$ 12,508</u>	<u>\$ 7,369</u>	<u>\$ 459</u>	<u>\$ 627</u>	<u>\$ 4,054</u>

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

**Instruction and Other Student Instructional Expenditures** -- includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (All the 1000, 2100, and 2200 functional codes.)

**General Administration** -- includes expenditures for the following functions: Support services -- General Administration (2300s); and the Support Services -- Business (2500s).

**School Administration** -- includes expenditures for the following function: Support Services -- School Administration (2400s).

**Other** -- includes all expenditure function not included in the Instruction or Administration categories.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Reports on Compliance and Internal Control**

# HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA, CGFM  
Julie M. Uher, CPA

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Founder (1915 - 1997)

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

Superintendent and School Board  
Hattiesburg Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hattiesburg Public School District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 6, 2007. 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.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe that none of significant any deficiencies described above is a material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated December 6, 2007, which is included in this report.

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

*Holt & Associates PLLC*

Holt & Associates, PLLC

December 6, 2007

# HOLT & ASSOCIATES, PLLC

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Hattiesburg Public School District

### Compliance

We have audited the compliance of the Hattiesburg Public School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The School District's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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 the school District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school District's compliance with those requirements.

In our opinion, Hattiesburg Public School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-3.

## Internal Control over Compliance

The management of the Hattiesburg Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Holt & Associates PLLC*

Holt & Associates, PLLC

December 6, 2007

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Independent Auditor's Report on Compliance with State Laws and Regulations**

# HOLT & ASSOCIATES, PLLC

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

Superintendent and School Board  
Hattiesburg Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hattiesburg Public School District as of and for the year ended June 30, 2007, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated December 6, 2007. 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), 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 procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of non-compliance. The District reported \$4,500 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

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

The District Should Publish "Notice of Tax Increase" to request Additional Tax Effort

1. Finding

Section 27-39-207, Miss. Code Ann. (1972), states "Notice of Tax Increase" shall be published by a school district in order to collect any increase other than increases due to new property coming on the tax rolls. If the district publishes the "Notice of Tax Increase", the district can request up to a 4% tax increase and claim any increase as a result of new programs.

During the prior year's audit the school district was found not in compliance with Section 27-39-207, Miss. Code Ann. (1972), by not publishing the "Notice of Tax Increase". This item was called to the school district's attention after the date necessary for legal compliance to comply for the current year. Therefore the district was not allowed under Sections 37-57-105 and 35-57-107, Miss. Code Ann. (1972), to request and collect any increase in ad valorem taxes other than new property and collected more taxes than they were allowed.

The amount of the over-collected taxes is reflected as a fund reserve on Exhibit C of this report. The school district published the "Notice of Tax Increase" for the 2007-2008 school year.

Recommendation

We recommend that the school district closely monitor the annual computation of the annual tax request for compliance with Sections 27-39-207, 37-57-105, and 37-57-107, Miss. Code Ann. (1972).

School District's Response

The District published the "Notice of Tax Increase" for the 2007-08 fiscal year and will continue to do so each year as required.

## 2. District Should Promptly Collect Sixteenth Section Leases

### Finding

Section 29-3-57, Miss. Code Ann. (1972), states , “It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section principal funds. Upon a sixty (60) default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present...”

During our test of sixteenth section leases, we determined that four leases totaling \$1,538.50 for the current year were over 60 days overdue. There was no indication in the board minutes that appropriate action was taken to collect the amounts due.

Inadequate controls concerning collection of sixteenth section lease payments resulted in the district not collecting the total amounts due. This is a recurring finding.

### Recommendation

We recommend that the school district comply with Section 29-3-57, Miss. Code Ann. (1972), and present the school board the leases that are 60 days overdue for their action in the next board meeting.

### School District’s Response

During the 2007-08 fiscal year, the District will present to the school board the leases that are 60 days overdue for their action in the next board meeting.

### 3. Surety Bonds

#### Finding

Section 37-9-31, Miss. Code Ann. (1972), requires that all school principals furnish surety bonds for \$25,000 each and those bonds be recorded with clerk of the chancery court. There was sufficient surety for all principals in the form of a blanket bond. However, this bond was not filed with the chancery clerk.

Section 37-29-21, Miss. Code Ann. (1972), requires that all purchase agents be covered by a \$50,000 bond and that bond be recorded with the clerk of the chancery court. The school district minutes indicate that the superintendent was named as a purchasing agent. There was no documentation of an additional surety for the purchasing agent position.

#### Recommendation

We recommend that the school district obtain an additional bond for the superintendent and file it along with the blanket bond covering the principals with the clerk of the chancery court.

#### School District's Response

During fiscal year 2007-08 the District will obtain an additional bond for the superintendent and file it along with the principals' blanket bond, as recommended.

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

*Holt & Associates PLLC*

Holt & Associates, PLLC

December 6, 2007

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

**Section 1: Summary of Auditor's Results**

***Financial Statements:***

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements:                        | Unqualified |
| 2. Material noncompliance relating to the financial statements?                        | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weaknesses identified?   | No          |
| b. Significant deficiency(ies) identified that are not considered material weaknesses? | Yes         |

***Federal Awards:***

- |  |             |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs:                 | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | No          |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |
| 6. Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133?       | No          |
| 7. Federal programs identified as major programs:  |             |
| a. Cluster: Nutrition Cluster<br>CFDA #10.553<br>CFDA #10.555<br>CFDA #10.559                |             |
| b. The Schools and Libraries Program Of the Universal Service Fund<br>CFDA #32.XXX           |             |
| c. Title I Grants to Local Educational Agencies<br>CFDA #84.010                              |             |
| d. Cluster: Special Education Grants to States<br>CFDA #84.027<br>CFDA #84.173               |             |
| e. Foreign Language Assistance<br>CFDA #84.293   |             |
| f. Improving teacher Quality State Grants<br>CFDA #84.367                                    |             |
| g. Child Care and Development Block Grant<br>CFDA #93.575                                    |             |

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

- |   |           |
|---|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs:   | \$300,000 |
| 9. Auditee qualified as a low-risk auditee?   | No        |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | Yes       |

**Section 2 Financial Statement Findings**

**Reportable Conditions not Considered to be Material Weaknesses**

**07-1 Finding**

An effective internal control system requires timely and accurate bank reconciliations. We found there were four accounts that at the end of the year contained unsubstantiated adjustments.

**Recommendation**

Although there was considerable improvement in this area as compared to the prior year, each bank reconciliation should accurately reflect the correct book balance without unsubstantiated amounts.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

**Section 3: Federal Awards Findings and Question Costs**

**Reportable Conditions not Considered to be Material Weaknesses**

Program: Child nutrition cluster: passed-through the Mississippi Department of Education – CFDA #10.553, 10.555 and 10.559

Compliance requirement: Program income

*Significant Deficiency*

**07-2 Finding**

The school district is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved with cashiering, cash collection, daily reconciliations and deposits,

We examined two months' daily cashiering reports for all schools to determine compliance with the requirement of documenting the signatures of the manager and the cashier for the cash count and daily report reconciling. Of the 264 reports reviewed, 34 or 13% did not have the required signatures documenting the procedure for internal controls over program income. Non-compliance with this policy could result in improper recognition of income and misappropriation of assets.

**Recommendation**

We recommend that the school district child nutrition program managers review compliance with the policy requiring signatures of the manager and cashier on all schools daily reports.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

Program: Child Care and Development Block Grant – CFDA #93.575

Compliance requirement: Monitoring

*Significant Deficiency*

**07-3 Finding**

The school district is the sub-grantee from the Department of Human Services which provides child care to a priority population. The grant receipts are received by the district and then pass-through to a private organization that provides the services under the grant. The requirements of the sub-grant agreement are listed in Exhibit A of the annual contract with the Mississippi Department of Human Services.

We reviewed the school district's requirements under the grant and found that there was incomplete documentation on their monitoring of this program. The school district did not have all the required evidence of their review of the organization records of the children's eligibility, proper tuition rates, and attendance records.

**Recommendation**

We recommend that the school district review their assurances with the grant and document their compliance with the requirements of this grant.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Auditee's Corrective Action Plan and Summary of Prior Audit Findings**



## Hattiesburg Public School District

Post Office Box 1569  
Hattiesburg, Mississippi 39403-1569

ANNIE P. WIMBISH, ED.D.  
SUPERINTENDENT

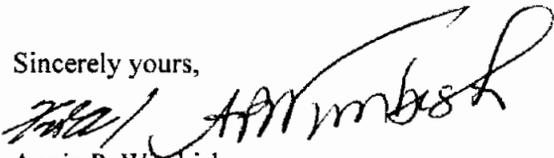
TELEPHONE  
(601) 582-5078

### Financial & Compliance Audit Division

As required by Section \_\_\_\_315(c) of OMB Circular A-133, the Hattiesburg Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2007:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
07-1	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action: Frank Aderholdt, Business Manager</p> <p>b. Corrective Action Planned: All bank statements are reconciled to the general ledger each month. Minor clerical errors are inevitable due to the frequency and number of transactions. Differences in amounts between bank statements and general ledger balances are investigated and resolved using experience and professional to determine the need for further investigation to resolve the differences or the recording of adjusting entries.</p> <p>c. Anticipated Completion Date: These procedures are currently in place.</p>
07-2	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action Stephanie Hoze, Food Service Director.</p> <p>b. Corrective Action Planned: The child nutrition program managers will review compliance with the policy requiring signatures of the manager and cashier on all schools' daily reports.</p> <p>c. Anticipated Completion Date: These procedures are currently in place.</p>
07-3	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action James Hopkins, Associate Superintendent</p> <p>b. Corrective Action Planned: The District will review our assurance with the grant and will document our compliance with the requirements of the grant.</p> <p>c. Anticipated Completion Date: These procedures are currently in place.</p>

Sincerely yours,

  
Annie P. Wimbish  
Superintendent



## Hattiesburg Public School District

Post Office Box 1569  
Hattiesburg, Mississippi 39403-1569

ANNIE P. WIMBISH, ED.D.  
SUPERINTENDENT

TELEPHONE  
(601) 582-5078

As required by Section \_\_.315(b) of OMB Circular A-133, the Hattiesburg Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2006:

- | <u>Finding:</u> | <u>Corrective Action Taken:</u>   |
|-----------------|---|
| 2006-1:         | Procedures are in place for periodic analysis of insurance benefits for terminating employees.  |
| 2006-2:         | The Business Office regularly communicates with district staff that purchase orders are required except for expenditures exempt by Board policy or state law.   |
| 2006-3:         | During the 2007-08 fiscal year, the District will check with local banking institutions to ensure than no unauthorized accounts have been opened using the district's employer identification number.   |
| 2006-4:         | Human resources and payroll continue to coordinate Board approval and payroll authorization, and to require adequate documentation to support payments to nonexempt personnel.  |
| 2006-5:         | All bank statements are reconciled to the general ledger monthly. Significant differences are investigated and resolved. Guided by experience and professional judgment, minor differences are corrected by adjusting journal entries.  |
| 2006-6:         | During the 2007-08 fiscal year, recommended procedures will be in place regarding activity funds receipts, monthly transmittal reports, and depositing of 16 <sup>th</sup> Section lease revenues. Payment for the undeposited 16 <sup>th</sup> Section lease payment has been collected. |
| 2006-7:         | Purchase orders are issued by training and consulting services.   |
| 2006-8:         | Recommended procedures are in place with regard to cash collection, daily reconciliation and deposit functions of daily food sales.   |

Sincerely yours,

Annie P. Wimbish  
Superintendent