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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2008**

# HATTIESBURG PUBLIC SCHOOL DISTRICT

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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, 2008, 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, 2008, 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 9, 2008, 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 Schedules and corresponding notes on pages 42 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.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Holt + Associates PLLC

December 9, 2008

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2008

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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, 2008. 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 decreased \$158,426 in 2008 and increased \$4,416,094 in 2007, which represents a decrease of .77% and an increase of 27.3% respectively.
- General revenues account for \$37,517,066 in 2008 and \$39,290,190 in 2007, or 78.5% and 74.7% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,280,881 in 2008 and \$13,276,055 in 2007 or 21.5% and 25.3% of total revenues, respectively.
- Expenses amounted to \$47,956,373 in 2008 and \$48,150,151 in 2007; only \$10,280,881 in 2008 and \$13,276,055 in 2007 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$37,517,066 and \$39,290,190, respectively, were not adequate to provide for these programs in 2008, but were adequate in 2007.
- Among major funds, the General Fund had \$34,431,625 in revenues and \$34,389,485 in expenditures in 2008; in 2007 there were \$33,829,498 in revenues and \$33,342,099 in expenditures. The General Fund's fund balance decreased \$1,121,259 in 2008 and \$683,353 in 2007.
- Capital assets, net of accumulated depreciation, decreased by \$370,577 in 2008 and increased by \$1,345,455 in 2007.
- Long-term debt decreased by \$1,871,817 in 2008 and \$1,958,036 in 2007. 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.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2008**

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**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.

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, 2008**

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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 a separate Statement of Fiduciary Assets and Liabilities 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 21-40 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 schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 42-45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133, a schedule of instructional, administrative and other expenditures for governmental funds, a schedule of revenues, expenditures, and change in fund balance – general fund for the last four years, and a schedule of revenues, expenditures, and change in fund balance – government funds for the last four years can be found on pages 47-52 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 \$20,433,600 as of June 30, 2008 and \$20,592,026 as of June 30, 2007.

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, 2008 and 2007, \$9,489,793 and \$8,184,790 or 46% and 40%, respectively, 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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2008**

still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The restricted net assets of \$5,448,766 in 2008 and \$7,378,327 in 2007 or 27% and 36%, respectively, are restricted to expenditures for certain school based activities, debt service, capital improvements, 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, 2008 and 2007.

	<u>Net Assets</u>		<u>Percent</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Current assets	\$ 12,400,240	\$ 14,275,216	-13.13%
Other assets	2,907,587	3,027,920	-3.97%
Capital assets, net	<u>27,226,793</u>	<u>27,597,370</u>	-1.34%
<b>Total assets</b>	<b><u>\$ 42,534,620</u></b>	<b><u>\$ 44,900,506</u></b>	<b><u>-5.27%</u></b>
Current liabilities	\$ 493,917	\$ 829,560	-40.46%
Long-term debt outstanding	<u>21,607,103</u>	<u>23,478,920</u>	-7.97%
<b>Total liabilities</b>	<b><u>\$ 22,101,020</u></b>	<b><u>\$ 24,308,480</u></b>	<b><u>-9.08%</u></b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ 9,489,793	\$ 8,184,790	15.94%
Restricted	5,448,766	7,378,327	-26.15%
Unrestricted	<u>5,495,041</u>	<u>5,028,909</u>	9.27%
<b>Total net assets</b>	<b><u>\$ 20,433,600</u></b>	<b><u>\$ 20,592,026</u></b>	<b><u>-0.77%</u></b>

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

- The principal retirement of \$1,871,817 of long term debt.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2008**

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**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 and 2007 were \$47,797,947 and \$52,566,245, respectively. The total cost of all programs and services was \$47,956,373 in 2008 and \$48,150,151 in 2007. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

<b>Revenues:</b>	<b>Change in Net Assets</b>		<b>Percent</b>
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>Change</u></b>
Program revenues:			
Charges of services	\$ 474,032	\$ 529,259	-10.43%
Operating grants and contributions	9,806,849	9,827,337	-0.21%
Capital grants and contributions	-	2,919,459	-100.00%
General revenues:			
Property taxes	16,284,140	15,970,011	1.97%
Unrestricted grants and contributions	20,005,409	19,583,426	2.15%
Other	<u>1,227,517</u>	<u>3,736,753</u>	<u>-67.15%</u>
<b>Total revenues</b>	<u>47,797,947</u>	<u>52,566,245</u>	<u>-9.07%</u>
<b>Expenses:</b>			
Instruction	24,137,698	25,355,296	-4.80%
Support services	19,437,599	18,718,136	3.84%
Non-instructional	3,393,122	2,990,694	13.46%
Sixteenth section	20,197	29,102	-30.60%
Interest on long-term liabilities	<u>967,757</u>	<u>1,056,923</u>	<u>-8.44%</u>
<b>Total expenses</b>	<u>47,956,373</u>	<u>48,150,151</u>	<u>-0.40%</u>
<b>Increase (decrease)</b>			
<b>in net assets</b>	<u>\$ (158,426)</u>	<u>\$ 4,416,094</u>	<u>-103.59%</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2008**

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**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>2008</u>		<u>2007</u>	
	<u>Total</u>	<u>Net (Expense)</u>	<u>Total</u>	<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
Instruction	\$ 24,137,698	\$ (20,065,069)	\$ 25,355,296	\$ (20,452,447)
Support services	19,437,599	(14,180,465)	18,718,136	(13,014,877)
Non-instructional	3,393,122	(2,442,004)	2,990,694	(320,747)
Sixteenth section	20,197	(20,197)	29,102	(29,102)
Interest on long-term liabilities	<u>967,757</u>	<u>(967,757)</u>	<u>1,056,923</u>	<u>(1,056,923)</u>
Total Expenses	<u>\$ 47,956,373</u>	<u>\$ (37,675,492)</u>	<u>\$ 48,150,151</u>	<u>\$ (34,874,096)</u>

- Net cost of governmental activities in 2008 was (\$37,675,492) and in 2007 (\$34,874,096) financed by general revenue, which is made up of primarily property taxes in 2008 and 2007 of \$16,284,140 and \$15,970,011, respectively, and state revenue of \$19,710,692 in 2008 and \$18,860,095 in 2007.

**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.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2008**

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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 \$15,074,313 in 2008 a decrease of \$1,679,754 and \$16,754,067 in 2007, an increase of \$1,089,254. Of the fund balance, \$9,357,480 or 62% in 2008 and \$11,110,036 or 66% in 2007 constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$5,716,833 or 38% in 2008 and \$5,644,031 or 34% in 2007 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 \$1,121,259 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 \$2,178.

### **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.
- Budget amounts for expenditures in the instruction and support services function were decreased primarily to record expected reductions in costs for salaries, wages, related employee benefits, purchased services, commodities, and equipment.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue 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, 2008 and 2007 were \$44,138,013 and \$42,889,620 including school buildings, buses, other school vehicles and furniture and equipment. These amounts represent an increase of \$1,248,393 in 2008 and \$2,943,776 in 2007 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$16,911,220 and total depreciation expense for the year was \$1,629,365 resulting in total net assets of \$27,226,793.

Additional information of the District's capital assets can be found in Note 4 on page 31 of this report.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2008**

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**Debt Administration.** At June 30, 2008 and 2007, the District had \$21,607,103 and \$23,478,920 in general and limited obligation bonds and other long-term debt outstanding, of which \$2,042,195 in 2008 and \$1,870,646 in 2007 is due within one year.

Additional information of the District's long-term debt can be found in Note 5 on pages 32-37 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.

### **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, 2008**

**Exhibit A**  
**Governmental**  
**Activities**

<b>Assets</b>	
Cash and cash equivalents	\$ 9,593,248
Cash with fiscal agents	289,382
Due from other governments	2,266,577
Other receivables, net	36,579
Inventories and prepaid items	214,454
Restricted assets	2,907,587
Capital assets, non-depreciable:	
Land	182,905
Capital assets, net of accumulated depreciation:	
Buildings	22,265,676
Building improvements	502,893
Improvement other than buildings	1,968,960
Mobile Equipment	455,828
Furniture and equipment	1,088,983
Leased property under capital leases	<u>761,548</u>
<b>Total Assets</b>	<b><u>\$ 42,534,620</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 233,514
Interest payable on long-term liabilities	260,403
Long-term liabilities, due within one year	
Capital related liabilities	1,824,695
Non-capital related liabilities	217,500
Long-term liabilities, due beyond one year	
Capital related liabilities	15,912,305
Non-capital related liabilities	<u>3,652,603</u>
<b>Total Liabilities</b>	<b><u>\$ 22,101,020</u></b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 9,489,793
Restricted net assets:	
Expendable:	
School-based activities	908,263
Debt service	674,758
Capital improvements	774,567
Unemployment benefits	183,591
Non-expendable:	
Sixteenth section	2,907,587
Unrestricted	<u>5,495,041</u>
<b>Total Net Assets</b>	<b><u>\$ 20,433,600</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, 2008**

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental Activities:</b>					
Instruction	\$ 24,137,698	\$ 7,502	\$ 4,065,127	\$ -	\$ (20,065,069)
Support Services	19,437,599	17,485	5,239,649	-	(14,180,465)
Non-instructional	3,393,122	449,045	502,073	-	(2,442,004)
Sixteenth section	20,197	-	-	-	(20,197)
Interest on long-term liabilities	967,757	-	-	-	(967,757)
<b>Total Governmental Activities</b>	<b>\$ 47,956,373</b>	<b>\$ 474,032</b>	<b>\$ 9,806,849</b>	<b>\$ -</b>	<b>(37,675,492)</b>

General Revenues:

Taxes:

Property taxes - general purposes	14,379,298
Property taxes - debt service	1,904,842
Unrestricted grants and contributions	
State	19,710,692
Federal	294,717
Unrestricted investment earnings	653,913
Sixteenth Section sources	45,708
Other	527,896
Total General Revenues	37,517,066

Change in Net Assets (158,426)

Net Assets - Beginning 20,592,026

Net Assets - Ending \$ 20,433,600

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, 2008**

Exhibit C

**Major Funds**

	<b>Major Funds</b>				<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Title I Low Fund</b>	<b>HPSD Foundation Fund</b>	<b>16th Section Principal Fund</b>		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,374,362	\$ -	\$ 1,748,406	\$ 3,060,561	\$ 2,317,505	\$ 12,500,834
Cash with Fiscal Agents	-	-	-	-	289,382	289,382
Due from other governments	864,879	382,509	-	-	1,019,189	2,266,577
Due from other funds	1,907,304	-	-	-	1,066,648	2,973,952
Inventories and prepaid items	134,816	-	-	-	79,638	214,454
<b>Total Assets</b>	<b>\$ 8,281,361</b>	<b>\$ 382,509</b>	<b>\$ 1,748,406</b>	<b>\$ 3,060,561</b>	<b>\$ 4,772,362</b>	<b>\$ 18,245,199</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 168,902	\$ 6,359	\$ -	\$ -	\$ 50,319	\$ 225,580
Due to other funds	147,285	376,150	893,275	152,974	1,375,622	2,945,306
<b>Total Liabilities</b>	<b>316,187</b>	<b>382,509</b>	<b>893,275</b>	<b>152,974</b>	<b>1,425,941</b>	<b>3,170,886</b>
Fund Balances:						
Reserved For:						
Unemployment Benefits					183,591	183,591
Inventory	62,254	-	-	-	79,638	141,892
Prepaid items	72,562	-	-	-	-	72,562
Ad Valorem	774,035	-	-	-	-	774,035
Capital Projects	-	-	-	-	774,567	774,567
Debt Service	-	-	-	-	935,161	935,161
Permanent funds	-	-	-	2,907,587	-	2,907,587
Unreserved:						
Undesignated, reported in:						
General fund	7,056,323	-	-	-	-	7,056,323
Special Revenue funds	-	-	855,131	-	1,373,464	2,228,595
<b>Total Fund Balances</b>	<b>7,965,174</b>	<b>-</b>	<b>855,131</b>	<b>2,907,587</b>	<b>3,346,421</b>	<b>15,074,313</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,281,361</b>	<b>\$ 382,509</b>	<b>\$ 1,748,406</b>	<b>\$ 3,060,561</b>	<b>\$ 4,772,362</b>	<b>\$ 18,245,199</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, 2008**

**Exhibit C-1**

**Amount**

Total Fund Balance - Governmental Funds \$ 15,074,313

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

- 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$16,911,220 27,226,793
  
- 2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (21,607,103)
  
- 3 Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues. (260,403)

Total Net Assets - Governmental Activities \$ 20,433,600

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, 2008**

Exhibit D

Major Funds

	<u>General Fund</u>	<u>Title I Low Fund</u>	<u>HPSD Foundation Fund</u>	<u>16th Section Principal Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Local sources	\$ 14,951,565	\$ -	\$ 339,422	\$ -	\$ 2,494,339	\$ 17,785,326
State sources	19,185,343	-	-	-	1,409,106	20,594,449
Federal sources	294,717	2,251,839	-	-	6,671,253	9,217,809
Sixteenth section sources	-	-	-	152,974	45,708	198,682
<b>Total Revenues</b>	<b>34,431,625</b>	<b>2,251,839</b>	<b>339,422</b>	<b>152,974</b>	<b>10,620,406</b>	<b>47,796,266</b>
<b>EXPENDITURES</b>						
Instruction	19,320,249	1,042,008	-	-	3,797,360	24,159,617
Support services	13,852,143	1,079,310	-	-	3,197,406	18,128,859
Noninstructional services	308,443	90,521	6,820	-	2,991,859	3,397,643
Sixteenth section	-	-	-	-	20,197	20,197
Facilities acquisition and construction	758,363	-	-	-	148,495	906,858
Debt service:					-	
Principal	108,646	-	-	-	1,762,000	1,870,646
Interest	41,641	-	-	-	940,766	982,407
Other	-	-	-	-	5,437	5,437
<b>Total Expenditures</b>	<b>34,389,485</b>	<b>2,211,839</b>	<b>6,820</b>	<b>-</b>	<b>12,863,520</b>	<b>49,471,664</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>42,140</b>	<b>40,000</b>	<b>332,602</b>	<b>152,974</b>	<b>(2,243,114)</b>	<b>(1,675,398)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of other property	1,680	-	-	-	-	1,680
Operating transfers in	139,986	-	-	-	2,395,132	2,535,118
Operating transfers out	(1,290,585)	(40,000)	(893,275)	(152,974)	(158,284)	(2,535,118)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,148,919)</b>	<b>(40,000)</b>	<b>(893,275)</b>	<b>(152,974)</b>	<b>2,236,848</b>	<b>1,680</b>
<b>Net Change in Fund Balances</b>	<b>(1,106,779)</b>	<b>-</b>	<b>(560,673)</b>	<b>-</b>	<b>(6,266)</b>	<b>(1,673,718)</b>
<b>Fund Balances</b>						
July 1, 2007	9,086,433	-	1,415,804	2,907,587	3,344,243	16,754,067
Increase (Decrease) in reserve for inventory	(14,480)	-	-	-	8,444	(6,036)
June 30, 2008	<b>\$ 7,965,174</b>	<b>\$ -</b>	<b>\$ 855,131</b>	<b>\$ 2,907,587</b>	<b>\$ 3,346,421</b>	<b>\$ 15,074,313</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, 2008**

**EXHIBIT D-1**

Net Change in fund balances - Governmental Funds \$ (1,673,718)

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 \$1,258,893 and the depreciation expense amounted to \$1,629,365.	(370,472)
2 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 Activities.	1,870,646
3 Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(105)
4 Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	(6,036)
5 Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	1,171
Accrued interest	<u>20,088</u>
Change in net assets of governmental activities	<u>\$ (158,426)</u>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2008**

**EXHIBIT E**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 1,762,763
Due from other funds	7,933
Other Receivables	<u>1,245</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,771,941</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 1,723,897
Due to other funds	36,579
Due to Student Clubs	<u>11,465</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,771,941</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, 2008

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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.

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.

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

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 are 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, 2008

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### A. **Financial Reporting Entity** (continued)

Complete financial statements for each of the individual component units may be obtained from the School District.

### 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, 2008

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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. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

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

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

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

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

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.

Hattiesburg Public School District Foundation Fund - This fund accounts for the blended component unit whose sole purpose 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 of the District.

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.

The school district also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

Clearing Funds - This accounts for the payroll and accounts payable clearing funds.

Student Clubs - This accounts for the money collected from students for clubs and due to those clubs.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

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

Scholarship Funds – This accounts for donations received to be given to students for scholarships to college.

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 not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

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### **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.

### **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 for the district, as well as its component units, are reported at fair market 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.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

### **I. Restricted Assets.**

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2008

### J. 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 market value at the time received. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the district as assets with an initial, individual cost in excess of the threshold in the following table and estimated useful lives in excess of two years.

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.

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	\$ -	-
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.

### K. 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.

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

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## **L. 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.

## **M. 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:*

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

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:

## HATTIESBURG PUBLIC SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2008

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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 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.

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.

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.

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

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

The liability for these compensated absences is recorded as 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.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

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### **O. 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.

### **P. Due from other governments.**

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

### **(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 Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,500,834 and \$1,762,763, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$9,593,248 and restricted assets - \$2,907,587. 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 \$16,148,642.

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2008

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

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, 2008, the district was not 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 \$289,382.

**(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	\$ 1,907,304	\$ 147,285
Title I Low fund	-	376,150
HPSD Foundation fund	-	893,275
16 <sup>th</sup> Section Principal fund	-	152,974
Other governmental funds	<u>1,066,648</u>	<u>1,375,622</u>
Total	2,973,952	2,945,306
Fiduciary Funds	<u>7,933</u>	<u>36,579</u>
Total Funds	<u>\$ 2,981,885</u>	<u>\$ 2,981,885</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, 2008

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### B. Transfers In/Out:

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 139,986	\$ 1,290,585
Title I Low fund	-	40,000
HPSD Foundation fund	-	893,275
16 <sup>th</sup> Section Principal fund	-	152,974
Other governmental funds	<u>2,395,132</u>	<u>158,284</u>
Total Funds	<u>\$ 2,535,118</u>	<u>\$ 2,535,118</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, 2008

## (4) Capital Assets.

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

	BALANCE 7/1/2007	ADDITIONS	RETIRE.	COMPLETED CONST.	BALANCE 6/30/2008
<b><u>NON-DEPRECIABLE CAPITAL</u></b>					
LAND	\$ 165,301	\$ 17,604	\$ -	\$ -	\$ 182,905
CONSTRUCTION IN PROGRESS	70,242	-	-	(70,242)	-
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	<u>235,543</u>	<u>17,604</u>	<u>-</u>	<u>(70,242)</u>	<u>182,905</u>
<b><u>DEPRECIABLE CAPITAL ASSETS</u></b>					
BUILDINGS	33,158,386	101,224	-	-	33,259,610
BUILDINGS IMPROVEMENTS	505,012	47,271	-	-	552,283
IMPROVEMENTS OTHER THAN BLDGS	2,250,013	740,759	-	70,242	3,061,014
MOBILE EQUIPMENT	1,419,858	160,532	-	-	1,580,390
FURNITURE AND EQUIPMENT	4,051,043	191,503	(10,500)	-	4,232,046
LEASED PROPERTY-CAPITAL LEASES	1,269,765	-	-	-	1,269,765
TOTAL DEPRECIABLE CAPITAL ASSETS	<u>42,654,077</u>	<u>1,241,289</u>	<u>(10,500)</u>	<u>70,242</u>	<u>43,955,108</u>
<b><u>LESS ACCUMULATED DEPRECIATION FOR:</u></b>					
BUILDINGS	10,489,561	504,373	-	-	10,993,934
BUILDINGS IMPROVEMENTS	27,298	22,092	-	-	49,390
IMPROVEMENTS OTHER THAN BLDGS	1,006,384	85,670	-	-	1,092,054
MOBILE EQUIPMENT	1,031,930	92,632	-	-	1,124,562
FURNITURE AND EQUIPMENT	2,336,617	816,841	(10,395)	-	3,143,063
LEASED PROPERTY-CAPITAL LEASES	400,460	107,757	-	-	508,217
TOTAL ACCUMULATED DEPRECIATION	<u>15,292,250</u>	<u>1,629,365</u>	<u>(10,395)</u>	<u>-</u>	<u>16,911,220</u>
TOTAL DEPR. CAPITAL ASSETS, NET	<u>27,361,827</u>	<u>(388,076)</u>	<u>(105)</u>	<u>70,242</u>	<u>27,043,888</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 27,597,370</u>	<u>\$ (370,472)</u>	<u>\$ (105)</u>	<u>\$ -</u>	<u>\$ 27,226,793</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 33,360
Support services	1,538,127
Non-instructional	<u>57,878</u>
 Total depreciation expense	 <u>\$1,629,365</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2008

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

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

	<u>Balance</u> <u>7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2008</u>	<u>Amounts</u> <u>Due within</u> <u>One year</u>
A. General obligation bonds payable	\$ 13,525,500	\$ -	\$ 757,000	\$ 12,768,500	\$ 873,500
B. Limited obligation bonds payable	6,755,000	-	465,000	6,290,000	490,000
C. Three mill notes payable	2,080,000	-	540,000	1,540,000	565,000
D. Obligations under capital leases	925,897		108,646	817,251	113,695
E. Compensated absences payable	192,523		1,171	191,352	-
	<u>\$ 23,478,920</u>	<u>\$ -</u>	<u>\$ 1,871,817</u>	<u>\$ 21,607,103</u>	<u>\$ 2,042,195</u>

Variable Rate Terms – Interest rates on general obligation bonds, limited obligation bond, and three mill notes are variable based on the stated interest rate per the agreement at the time of execution.

**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	4.2 - 6.0%	4/1/2002	4/1/2018	\$8,000,000	\$6,690,000
General obligation bonds, Series 2002-A	3.5 - 4.10%	10/1/2002	10/1/2013	1,750,000	1,340,000
General obligation bonds, Series 2003-A	3.5 - 5.0%	4/15/2003	4/15/2019	5,250,000	4,575,000
General obligation Refunding bonds, Series 2004	1.75 - 3.0%	9/1/2004	12/15/2008	768,000	163,500
Total				<u>\$15,768,000</u>	<u>\$12,768,500</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2008

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

**General obligation bonds payable (continued).**

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

Year Ended	Principal	Interest	Total
30-Jun			
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	1,185,000	358,280	1,543,280
2014 - 2018	6,630,000	1,042,619	7,672,619
2019	1,175,000	41,125	1,216,125
Total	\$ 12,768,500	\$ 3,335,546	\$ 16,104,046

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, 2008, the amount of outstanding bonded indebtedness was equal to 5.2% of property assessments as of October 1, 2007. 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, 2008

**(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	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement					
Bond Series 1998	4.5-6.75	6/1/1998	2/1/2018	\$8,575,000	\$6,290,000

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

Year Ended	30-Jun	Principal	Interest	Total
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		570,000	183,270	753,270
2014 - 2018		3,670,000	478,125	4,148,125
Total	\$	6,290,000	\$ 1,639,573	\$ 7,929,573

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, 2008

(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 1999	4.1-5.0	4/30/1999	5/1/2009	\$2,580,000	\$ 485,000
Limited Tax Notes, Series 2003	2.5-3.45	7/4/2003	6/1/2011	1,000,000	770,000
Limited Tax Notes, Series 2005	3.2	4/15/2005	4/15/2011	350,000	285,000
Total				<u>\$3,930,000</u>	<u>\$ 1,540,000</u>

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

Year Ended	30-Jun		
	Principal	Interest	Total
2009	565,000	119,454	684,454
2010	580,000	120,549	700,549
2011	395,000	121,644	516,644
Total	<u>\$ 1,540,000</u>	<u>\$ 361,647</u>	<u>\$ 1,901,647</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, 2008

**(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. The amount outstanding on this least at June 30, 2008 is \$85,007.
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. The amount outstanding on this least at June 30, 2008 is \$339,751.
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, 2007. 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 amount outstanding on this least at June 30, 2008 is \$392,493.

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

Year Ending June 30,	Principal	Interest & Maintenance	Total
2009	113,695	36,592	150,287
2010	118,980	31,307	150,287
2011	124,514	25,773	150,287
2012	117,018	19,984	137,002
2013	108,869	14,842	123,711
2014-2016	234,175	15,031	249,206
Total	<u>\$ 817,251</u>	<u>\$ 143,529</u>	<u>\$ 960,780</u>

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2008

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

**E. Compensated absences payable.**

As more fully explained in Note 1(N), 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 employer's rate for fiscal year ended June 30, 2008 was 11.85% 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, 2008, 2007, and 2006 were \$2,917,688, \$2,729,263 and \$2,317,881, 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. 68 Copiers
2. 2 Risographs

Lease expenditures for the year ended June 30, 2008, amounted to \$115,178. Future lease payments for these leases are as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2009	\$ 121,702
2010	97,559
2011	67,156
2012	<u>9,680</u>
Total	<u>\$ 296,097</u>

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2008

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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.

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 18,842
2010	18,842
2011	18,135
2012	18,135
2013	26,898
2014 - 2018	133,632
2019 - 2023	141,442
2024 - 2028	174,299
2029 - 2033	163,824
Thereafter	<u>356,868</u>
Total	\$ <u>1,070,917</u>

**(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.

On September 30, 2005, some of the members of the Mississippi Municipal Workers' Compensation Group (MMWCG) were assessed an additional assessment of \$15,538 depending upon their years of membership in the MSBAWCT. This assessment was allowed to be repaid at a rate of 5% of their current premium per year until the total assessment was fully paid as long as they continued as members. If a member left the pool, they must repay the complete balance of the assessment within two years in equal installments. Hattiesburg Public School District left the MMWCG and was required to repay the full amount on December, 2005.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

**SCHEDULE 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 14,493,321	\$ 14,682,279	\$ 14,951,565	\$ 188,958	\$ 269,286
State sources	19,467,097	19,479,919	19,185,343	12,822	(294,576)
Federal sources	342,925	342,925	294,717	-	(48,208)
<b>Total Revenues</b>	<b>34,303,343</b>	<b>34,505,123</b>	<b>34,431,625</b>	<b>201,780</b>	<b>(73,498)</b>
<b>Expenditures:</b>					
Instruction	20,236,122	19,617,899	19,320,249	618,223	297,650
Support services	15,097,039	14,296,615	13,852,143	800,424	444,472
Noninstructional services	331,001	330,922	308,443	79	22,479
Facilities Acquisition & construction	750,000	755,000	758,363	(5,000)	(3,363)
Debt service:					
Principal	108,647	108,647	108,646	-	1
Interest	41,641	41,641	41,641	-	-
<b>Total Expenditures</b>	<b>36,564,450</b>	<b>35,150,724</b>	<b>34,389,485</b>	<b>1,413,726</b>	<b>761,239</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,261,107)</b>	<b>(645,601)</b>	<b>42,140</b>	<b>1,615,506</b>	<b>687,741</b>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	500	500	-	-	(500)
Sale of transportation property	2,000	2,000	-	-	(2,000)
Sale of other property	3,000	3,000	1,680	-	(1,320)
Indirect costs	128,000	128,000	-	-	(128,000)
Operating transfers in	5,541,319	5,248,586	139,986	(292,733)	(5,108,600)
Operating transfers out	(6,852,651)	(6,521,173)	(1,290,585)	331,478	5,230,588
<b>Total Other Financing Sources Uses)</b>	<b>(1,177,832)</b>	<b>(1,139,087)</b>	<b>(1,148,919)</b>	<b>38,745</b>	<b>(9,832)</b>
<b>Net Change in Fund Balances</b>	<b>(3,438,939)</b>	<b>(1,784,688)</b>	<b>(1,106,779)</b>	<b>1,654,251</b>	<b>677,909</b>
<b>Fund Balances:</b>					
July 1, 2007	8,300,000	9,086,433	9,086,433	786,433	-
Increase (decrease) in reserve for inventory	-	(14,480)	(14,480)	(14,480)	-
<b>June 30, 2008</b>	<b>\$ 4,861,061</b>	<b>\$ 7,287,265</b>	<b>\$ 7,965,174</b>	<b>\$ 2,426,204</b>	<b>\$ 677,909</b>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Title I Low Fund**  
**For the Year Ended June 30, 2008**

**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	2,854,055	2,984,545	2,251,839	130,490	(732,706)
<b>Total Revenues</b>	<b>2,854,055</b>	<b>2,984,545</b>	<b>2,251,839</b>	<b>130,490</b>	<b>(732,706)</b>
<b>Expenditures:</b>					
Instruction	1,465,115	1,401,879	1,042,008	63,236	359,871
Support services	1,255,146	1,448,372	1,079,310	(193,226)	369,062
Noninstructional services	93,794	94,294	90,521	(500)	3,773
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,814,055</b>	<b>2,944,545</b>	<b>2,211,839</b>	<b>(130,490)</b>	<b>732,706</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>					
Indirect costs transfers out	(40,000)	(40,000)	(40,000)	-	-
Operating transfers out	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
July 1, 2007	-	-	-	-	-
June 30, 2008	\$ -	\$ -	\$ -	\$ -	\$ -

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Hattiesburg Public School District Foundation Fund**  
**For the Year Ended June 30, 2008**

**SCHEDULE 3**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ 325,000	\$ 339,422	\$ 325,000	\$ 14,422
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total Revenues	-	325,000	339,422	325,000	14,422
<b>Expenditures:</b>					
Instruction	-	4,827	-	(4,827)	4,827
Support services	-	-	-	-	-
Noninstructional services	-	10,173	6,820	(10,173)	3,353
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	-	15,000	6,820	(15,000)	8,180
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	310,000	332,602	310,000	22,602
<b>Other Financing Sources (Uses):</b>					
Indirect costs transfers out	-	-	-	-	-
Operating transfers out	-	(910,000)	(893,275)	(910,000)	16,725
<b>Net Change in Fund Balances</b>	-	(600,000)	(560,673)	(600,000)	39,327
<b>Fund Balances:</b>					
July 1, 2007	-	1,419,158	1,415,804	1,419,158	(3,354)
June 30, 2008	\$ -	\$ 819,158	\$ 855,131	\$ 819,158	\$ 35,973

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, 2008**

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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 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, 2008**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	694,345
National school lunch program	10.555	1,631,227
Summer food service program for children	10.559	49,810
Total child nutrition cluster		<u>2,375,382</u>
Total U. S. Department of Agriculture		<u>2,375,382</u>
<b><u>U.S. Department of Defense</u></b>		
Direct programs:		
Reserve Officers' Training Corps	12.XXX	<u>71,078</u>
<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	<u>198,851</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Institutions of Higher Learning:		
Gaining Early Awareness for Readiness in Undergraduate Programs	84.334	<u>25,914</u>
Passed-through Mississippi Board for Community and Junior Colleges:		
Adult education - state grant program	84.002	<u>119,782</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	2,315,422
Career and technical education - basic grants to states	84.048	89,077
Safe and drug-free schools and communities - state grants	84.186	18,025
Foreign language assistance	84.293	228,766
State grants of innovative programs	84.298	7,921
Education technology state grants	84.318	23,387
Reading first state grants	84.357	1,076,912
English language acquisition grant	84.365	9,157
Improving teacher quality state grant	84.367	<u>872,023</u>
Total		<u>4,640,690</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

<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	1,260,465
Special education - preschool grants	84.173	<u>14,186</u>
Total		<u>1,274,651</u>
Total passed-through Mississippi Department of Education		<u>5,915,341</u>
Total U.S. Department of Education		<u>6,061,037</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	349,709
Developmental disabilities basic support and advocacy grants	93.630	<u>38,140</u>
Total passed-through Mississippi Dept of Health and Human Services		<u>387,849</u>
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	<u>95,866</u>
Total passed-through Mississippi Department of Education		<u>95,866</u>
Total U.S. Department of Health and Human Services		<u>483,715</u>
 <b>Total for All Federal Awards</b>		 <b><u>\$ 9,190,063</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.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Instruction, Administrative, and Other Expenditures – Governmental Funds**  
**For the Year Ended June 30, 2008**

<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	\$ 33,616,021	\$ 25,896,360	\$ 1,193,173	\$ 2,270,819	\$ 4,255,669
Other	<u>15,855,643</u>	<u>4,286,868</u>	<u>546,363</u>	<u>312,680</u>	<u>10,709,732</u>
Total	<u>\$ 49,471,664</u>	<u>\$ 30,183,228</u>	<u>\$ 1,739,536</u>	<u>\$ 2,583,499</u>	<u>\$ 14,965,401</u>
Total number of students *	<u>4201</u>				
Cost per student	<u>\$ 11,776</u>	<u>\$ 7,185</u>	<u>\$ 414</u>	<u>\$ 615</u>	<u>\$ 3,562</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.

\* Includes the number of students reported on the ADA report submission for month 9, which is the final submission

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
<b>Revenues:</b>				
Local sources	\$ 14,951,565	\$ 14,845,983	\$ 13,651,362	\$ 12,827,051
State sources	19,185,343	18,259,685	17,662,550	17,252,495
Federal sources	294,717	723,830	312,341	274,409
<b>Total Revenues</b>	<u>34,431,625</u>	<u>33,829,498</u>	<u>31,626,253</u>	<u>30,353,955</u>
<b>Expenditures:</b>				
Instruction	19,320,249	19,855,374	15,280,782	18,066,318
Support services	13,852,143	12,656,511	10,366,644	10,740,585
Noninstructional services	308,443	212,501	166,098	197,186
Facilities acquisition and construction	758,363	395,522	312	50,000
<b>Debt service:</b>				
Principal	108,646	168,617	196,566	144,181
Interest	41,641	53,574	52,131	38,047
<b>Total Expenditures</b>	<u>34,389,485</u>	<u>33,342,099</u>	<u>26,062,533</u>	<u>29,236,317</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>42,140</u>	<u>487,399</u>	<u>5,563,720</u>	<u>1,117,638</u>
<b>Other Financing Sources (Uses):</b>				
Inception of capital leases	-	-	504,797	486,300
Insurance loss recoveries	-	9,841	-	-
Sale of transportation equipment	-	-	11,295	5,734
Sale of other property	1,680	983	56,764	623
Operating transfers in	139,986	148,246	111,194	3,982,881
Operating transfers out	(1,290,585)	(1,342,817)	(1,308,967)	(4,931,504)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,148,919)</u>	<u>(1,183,747)</u>	<u>(624,917)</u>	<u>(455,966)</u>
<b>Net Change in Fund Balances</b>	<u>(1,106,779)</u>	<u>(696,348)</u>	<u>4,938,803</u>	<u>661,672</u>
<b>Fund Balances:</b>				
July 1	9,086,433	9,769,786	4,782,222	4,114,521
Prior period adjustments	-	-	50,643	-
July 1, as restated	<u>9,086,433</u>	<u>9,769,786</u>	<u>4,832,865</u>	<u>4,114,521</u>
Increase (Decrease) in reserve for inventory	<u>(14,480)</u>	<u>12,995</u>	<u>(1,882)</u>	<u>6,029</u>
June 30	<u>\$ 7,965,174</u>	<u>\$ 9,086,433</u>	<u>\$ 9,769,786</u>	<u>\$ 4,782,222</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 17,785,326	\$ 22,765,783	\$ 15,785,145	\$ 14,818,675
State sources	20,594,449	19,665,987	19,069,865	18,649,398
Federal sources	9,217,809	9,744,776	13,752,258	7,741,701
Sixteenth section sources	198,682	165,243	202,855	146,408
<b>Total Revenues</b>	<b>47,796,266</b>	<b>52,341,789</b>	<b>48,810,123</b>	<b>41,356,182</b>
<b>Expenditures:</b>				
Instruction	24,159,617	25,361,929	24,223,033	22,296,328
Support services	18,128,859	19,651,477	14,281,380	13,465,280
Noninstructional services	3,397,643	3,001,971	2,786,623	2,564,771
Sixteenth section	20,197	29,102	22,980	24,195
Facilities acquisition and construction	906,858	459,051	122,965	112,550
<b>Debt service:</b>				
Principal	1,870,646	1,912,827	1,826,324	2,402,003
Interest	982,407	1,074,579	1,150,349	1,201,973
Other	5,437	5,693	5,772	15,530
<b>Total Expenditures</b>	<b>49,471,664</b>	<b>51,496,629</b>	<b>44,419,426</b>	<b>42,082,630</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(1,675,398)</b>	<b>845,160</b>	<b>4,390,697</b>	<b>(726,448)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds	-	-	-	768,000
Proceeds of loans	-	-	-	350,000
Inception of capital leases	-	-	504,797	885,591
Insurance loss recoveries	-	223,477	904,557	-
Sale of transportation equipment	-	-	11,295	5,734
Sale of other property	1,680	983	59,180	623
Operating transfers in	2,535,118	2,123,188	1,677,595	5,137,522
Operating transfers out	(2,535,118)	(2,123,188)	(1,677,595)	(5,137,522)
<b>Total Other Financing Sources (Uses)</b>	<b>1,680</b>	<b>224,460</b>	<b>1,479,829</b>	<b>2,009,948</b>
<b>Net Change in Fund Balances</b>	<b>(1,673,718)</b>	<b>1,069,620</b>	<b>5,870,526</b>	<b>1,283,500</b>

**Statement of Revenues, Expenditures and Changes in Fund Balances**

"UNAUDITED"

**All Governmental Funds**

**Last Four Years**

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Fund Balances:				
July 1	16,754,067	15,664,813	9,764,867	8,478,328
Prior period adjustments	-	-	54,028	-
July 1, as restated	<u>16,754,067</u>	<u>15,664,813</u>	<u>9,818,895</u>	<u>8,478,328</u>
Increase (Decrease) in reserve for inventory	<u>(6,036)</u>	<u>19,634</u>	<u>(24,608)</u>	<u>3,039</u>
June 30	<u><u>\$ 15,074,313</u></u>	<u><u>\$ 16,754,067</u></u>	<u><u>\$ 15,664,813</u></u>	<u><u>\$ 9,764,867</u></u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

# HOLT & ASSOCIATES, PLLC

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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, 2008, which collectively comprise the Hattiesburg Public School District's basic financial statements and have issued our report thereon dated December 9, 2008. 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 school district'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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

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.

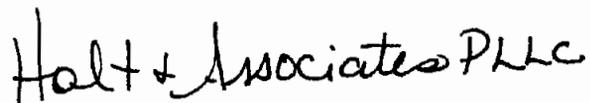
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

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 disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2008-1. We also noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated December 9, 2008, which is included in this report.

The School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit the school district's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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

December 9, 2008

# 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 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, 2008. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying 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 of 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-2 through 2008-7.

### Internal Control Over Compliance

The management of Hattiesburg Public School District is responsible for establishing and maintaining effective internal control over compliance with the 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 combination of control deficiencies, that adversely affects the entity's ability to administer a federal program 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 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 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.

The School District's response to the findings identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit the school district's response and, accordingly, we express no opinion on it.

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 9, 2008

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

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

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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, 2008, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number one below. The District reported \$20,883 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:

**Finding #1:**

Hattiesburg Public School District does not require spending plan to be completed by teachers. Furthermore, there was one instance in which educational enhancement funds were not spent on classroom supplies and instructional materials.

**Recommendation**

In accordance with Section 31-61-33(3)(a)(iii), the Classroom Supplies and Instructional Materials Funds may only be used for the acquisition of classroom supplies, instructional materials and/or equipment. Also, at a minimum, each school principal shall maintain a copy of each spending plan. The District should acquire a spending plan from all teachers. Teachers' spending plans should be reviewed before approval to ensure that all purchases are in accordance with the law.

**District Response**

Beginning January 2009, the following procedures will be in place: For every purchase from EEF funds, each teacher is required to submit a written requisition for materials to be purchased, along with the plan for using these materials for classroom instructional purposes. The teacher's spending plan is explained or modified for each purchase.

The school principals and the business office continue to monitor every spending request to ensure that education enhancement funds are spent only on classroom supplies and educational materials.

**Finding #2**

During our test of sixteenth section leases, we determined that six leases for the current year were over 60 days past due. 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.

District Response

During the 2008-2009 school year, the district will present to the school board the leases that are 60 days overdue for their action at the next board meeting.

Finding #3

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.

District Response

An additional bond for the Superintendent as purchasing agent has been purchased and has been recorded with the clerk of the chancery court.

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 Hattiesburg School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

December 9, 2008

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Findings, Corrective Action Plan and Audit Findings Follow-Up**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2008**

**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?      | Yes         |
| 7. Federal programs identified as major programs:  |             |
| a. Cluster: Nutrition Cluster<br>CFDA #10.553<br>CFDA #10.555<br>CFDA #10.559                |             |
| b. Reading First State Grants<br>CFDA #84.357  |             |
| c. Improving Teacher Quality State Grants<br>CFDA #84.367                                    |             |
| d. 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, 2008**

- |   |           |
|---|-----------|
| 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**

**Significant Deficiency not considered to be Material Weaknesses**

**Finding 2008-1**

An effective internal control system requires timely payments for expenditures. We found there were several invoices that were not paid within forty-five days.

**Recommendation**

Invoices should be processed and paid promptly. Vendor statements should be reviewed to determine if any outstanding invoices have not been processed for payments.

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

**Significant Deficiencies not considered to be Material Weaknesses**

**Finding 2008-2**

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

Condition: While testing compliance with eligibility requirements, we selected forty students from the list of students to pull the application. It was very difficult for the secretary to pull these applications and out of the forty, five could not be found. Also, since the computers crashed in the prior year, we could not go back into the computer system from the prior year to pull the child's information.

Criteria: Compliance with the eligibility requirement with federal laws pursuant to the grant agreement.

Effect: We were not able to verify that correctly completed and approved applications were on file for these five students.

Recommendation: Applications could be filed by application file number which is given by the computer program. When a child is searched on the computer, the application number is shown and then the child's application can easily be pulled from the file drawer. Backups to the computer system should be maintained on a daily basis and the backup kept in off site storage.

**Finding 2008-3**

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

Condition: Applications are consistently being completed incorrectly by parents leaving many assumptions for the nutrition staff to make or requiring the staff to contact the parent for verification.

Criteria: Compliance with the eligibility requirement with federal laws pursuant to the grant agreement.

Effect: It is often difficult to note from the application whether the problems and incorrect information on the applications were verified and corrected.

Recommendation: Staff members that call parents to verify information should make notations on the application so that reviewers know the information has been verified and corrected.

**Finding 2008-4**

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

Condition: Of the three months selected to trace total meal counts from the participation reports printed from the Horizons computer system to the Monthly Claim for Reimbursement. All three months were incorrect.

Criteria: Compliance with the reporting requirement with federal laws pursuant to the grant agreement.

Effect: The school district did not receive all of the federal funds it was entitled to during the year.

Recommendation: The school district should review all months as far as they can go back and recalculate monthly meal counts for reimbursement.

**Finding 2008-5**

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

Condition: The verification report was not completed correctly. Of the 31 students that were to be changed based on the verification process, one was not changed from free to paid.

Criteria: Compliance with the special tests and provisions requirement with federal laws pursuant to the grant agreement.

Effect: The verification report submitted was not correct.

Recommendation: The Nutrition office should contact the software company to train the secretary on the verification process.

**Finding 2008-6**

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

Condition: It was noted that while observing the procedures in the lunch room, the drawer was \$1 over when the manager and staff counted the cash at the end of the day. There is no place on the daily form for short/over for the day. The manager would have left the \$1 in the drawer had the auditor not said something concerning this. It appears that the overage (if any) is never deposited since deposit always equals bank reconciliation report. Which also means that any shortage is not reported either.

Criteria: Compliance with the program income requirement with federal laws pursuant to the grant agreement.

Effect: Cash short and over are not being reported and cash overages are not deposited into the bank account.

Recommendation: Daily report should list a short/over for the day so that when the staff counts the money, all money is deposited and the correct shortage or overage is documented.

**Finding 2008-7**

Program: Child care and development block grant – CFDA #93.575

Condition: The sub-grantee was not requesting funds for the immediate needs of the day care leaving a cash balance each month. It does not appear that the school district as the pass-through entity was monitoring compliance with cash management requirements.

Criteria: Compliance with the cash management requirement with federal laws pursuant to the grant agreement.

Effect: Cash was not drawn down for the immediate needs of the day care.

Recommendation: The school district as the pass-through entity should monitor the day care for compliance with cash management requirements.



## Hattiesburg Public School District

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ANNIE P. WIMBISH, ED.D.  
SUPERINTENDENT

Financial & Compliance Audit Division

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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, 2008:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2008-1	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action: Frank Aderholdt, Business Manager</p> <p>b. Corrective Action Planned: In accordance with procedures currently in place, invoices are processed and paid promptly once all required documentation is received in the Business Office. Occasionally, invoices are not paid within forty-five days due to clerical error or a delay in receiving reports, statements, or vendor invoices.”</p> <p>c. Anticipated Completion Date: The procedures are currently in place.</p>
2008-2	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action Stephanie Hoze, Food Service Director</p> <p>b. Corrective Action Planned: Family application filing procedures will be processed by the file number provided by the Horizon software instead of filing alphabetically by the parent’s last name. This will allow application data to be retrieved faster.</p> <p>c. Anticipated Completion Date: These procedures are currently in place.</p>
2008-3	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action Stephanie Hoze, Food Service Director</p> <p>b. Corrective Action Planned: Family application for the school year 2009-2010 will be revised to allow only two payment reporting options for parent instead of five. Requests will be made to provide accuracy when calculating household income data for every two weeks or monthly instead of a wider range of income options where parents frequently leave information incomplete.</p> <p>c. Anticipated Completion Date: These procedures are currently in place.</p>

- 2008-4
- a. Name(s) of Contact Person(s) Responsible for Corrective Action  
Stephanie Hoze, Food Service Director
  - b. Corrective Action Planned:  
MDE, Office of Child Nutrition provided procedures through Ocean software that allows the revision of monthly claims for reimbursement of underpayment of meals. We are now able to request reimbursement for the highest enrollment date of ADA for each monthly claim.
  - c. Anticipated Completion Date:  
These procedures are currently in place.
- 2008-5
- a. Name(s) of Contact Person(s) Responsible for Corrective Action  
Stephanie Hoze, Food Service Director
  - b. Corrective Action Planned:  
Program assistance was provided by Horizon software to correct verification errors. Rosters are carefully monitored to ensure that the meal status changes of students selected for verification are correct.
  - c. Anticipated Completion Date:  
These procedures are currently in place.
- 2008-6
- a. Name(s) of Contact Person(s) Responsible for Corrective Action  
Stephanie Hoze, Food Service Director
  - b. Corrective Action Planned:  
The daily reconciliation report will record the shortage/overage for the day to enable managers and cashiers to deposit the correct amount. We will continue the two party counting collection procedure with each daily bank deposit.
  - c. Anticipated Completion Date:  
These procedures are currently in place.
- 2008-7
- a. Name(s) of Contact Person(s) Responsible for Corrective Action  
Frank Aderholdt, Business Manager
  - b. Corrective Action Planned:  
The Hattiesburg Public School District no longer handles the grant as of October 1, 2008.
  - c. Anticipated Completion Date:  
These procedures are currently in place.

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, 2007:

Finding:            Corrective Action Taken:

2007-1:            Bank reconciliations were completed correctly.

2007-2:            All daily reports reviewed in testing had two signatures as required.

2007-3:            Repeating finding in this area.