



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



HATTIESBURG PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2014

HATTIESBURG PUBLIC SCHOOL DISTRICT

TABLE OF CONTENTS

|   | Pages |
|---|-------|
| FINANCIAL AUDIT REPORT  |       |
| Independent Auditor's Report on the Basic Financial Statements and Supplemental Information   | 2-3   |
| MANAGEMENT'S DISCUSSION AND ANALYSIS  | 5-12  |
| BASIC FINANCIAL STATEMENTS  |       |
| Government-wide Financial Statements  |       |
| Exhibit A- Statement of Net Position  | 14-15 |
| Exhibit B-Statement of Activities   | 16    |
| Governmental Funds Financial Statements   |       |
| Exhibit C- Balance Sheet  | 17    |
| Exhibit C-1-Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position   | 18    |
| Exhibit D- Statement of Revenues, Expenditures and Changes in Fund Balances   | 19    |
| Exhibit D-1- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities   | 20    |
| Fiduciary Funds Financial Statements  |       |
| Exhibit E- Statement of Fiduciary Assets and Liabilities  | 21    |
| Notes to the Financial Statements   | 22-41 |
| REQUIRED SUPPLEMENTAL INFORMATION   |       |
| Budgetary Comparison Schedule – General Fund  | 44    |
| Budgetary Comparison Schedule – Title I Fund  | 45    |
| Budgetary Comparison Schedule – IDEA Part B Fund  | 46    |
| Notes to the Required Supplemental Information  | 47    |
| SUPPLEMENTAL INFORMATION  |       |
| Schedule of Expenditures of Federal Awards  | 49-50 |
| Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds   | 51    |
| OTHER SUPPLEMENTAL INFORMATION  |       |
| Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years  | 53    |
| Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years  | 54    |
| REPORTS ON INTERNAL CONTROLS AND COMPLIANCE   |       |
| 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 <i>Government Auditing Standards</i> | 56-57 |
| Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133  | 58-59 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS  | 61-62 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS   | 64    |
| AUDITEE'S CORRECTIVE ACTION PLAN  | 66    |

HATTIESBURG PUBLIC SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT



**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

### INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Hattiesburg Public School

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Hattiesburg Public School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440

PHONE 601-649-3000 | FAX 601-649-3050

WWW.HOLTACCOUNTING.COM

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hattiesburg Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the Hattiesburg Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hattiesburg Public School District's internal control over financial reporting and compliance.

*Holt & Associates, PLLC*

Laurel, MS

November 14, 2014

HATTIESBURG PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HATTIESBURG PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Hattiesburg Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### FINANCIAL HIGHLIGHTS

- Total net position for 2014 increased \$68,806 which represents a 0.30% increase from fiscal year 2013. Total net position for 2013 increased \$ 3,001,625, which represents a 14% increase from fiscal year 2012.
- General revenues amounted to \$40,007,415 and \$42,115,437, or 79% and 79% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,644,508, or 21% of total revenues for 2014, and \$11,150,760, or 21 % of total revenues for 2013.
- The District had \$50,583,117 and \$50,264,572 in expenses for fiscal years 2014 and 2013; only \$10,644,508 for 2014 and \$11,150,760 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$40,007,415 for 2014 and \$42,115,437 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$34,654,656 in revenues and \$35,825,278 in expenditures for 2014, and \$34,879,972 in revenues and \$35,174,943 in expenditures in 2013. The General Fund's fund balance decreased by \$1,696,298 from 2013 to 2014, and decreased by \$690,934 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$749,049 for 2014 and decreased by \$219,331 for 2013. The increase for 2014 was due to the addition of construction in progress coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$2,848,134 for 2014 and decreased by \$2,312,933 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,686 for 2014 and decreased by \$42,353 for 2013.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

### **Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

HATTIESBURG PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund, Title I Fund, and IDEA Part B Fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$23,336,604 as of June 30, 2014.

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.

HATTIESBURG PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Table 1**  
**Condensed Statement of Net Position**

|                                       | June 30, 2014        | June 30, 2013        | Percentage<br>Change |
|---------------------------------------|----------------------|----------------------|----------------------|
| Current assets                        | \$ 8,676,028         | \$ 12,554,197        | -30.89 %             |
| Restricted assets                     | 4,665,522            | 4,644,118            | 0.46 %               |
| Capital assets, net                   | 29,739,381           | 28,990,332           | 2.58 %               |
| <b>Total assets</b>                   | <b>43,080,931</b>    | <b>46,188,647</b>    | <b>-6.73 %</b>       |
| <br>                                  |                      |                      |                      |
| <b>Deferred outflows of resources</b> | <u>77,803</u>        | <u>81,626</u>        | -4.68 %              |
| <br>                                  |                      |                      |                      |
| Current liabilities                   | 528,640              | 1,005,911            | -47.45 %             |
| Long-term debt outstanding            | 19,102,953           | 21,951,087           | -12.97 %             |
| <b>Total liabilities</b>              | <b>19,631,593</b>    | <b>22,956,998</b>    | <b>-14.49 %</b>      |
| <br>                                  |                      |                      |                      |
| <b>Deferred inflows of resources</b>  | <u>190,537</u>       | <u>45,477</u>        | <b>318.97 %</b>      |
| <br>                                  |                      |                      |                      |
| <b>Net position:</b>                  |                      |                      |                      |
| Net investment in capital assets      | 16,773,260           | 15,861,736           | 5.75 %               |
| Restricted                            | 8,921,886            | 8,913,756            | 0.09 %               |
| Unrestricted                          | (2,358,542)          | (1,507,694)          | 56.43 %              |
| <b>Total net position</b>             | <b>\$ 23,336,604</b> | <b>\$ 23,267,798</b> | <b>0.30 %</b>        |

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

- Increase in net capital assets in the amount of \$749,049.
- Proceeds from issuance of GO Bond Refunding Series 2013 in the amount of \$3,375,000.
- The principal retirement of \$6,212,448 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$50,651,923 and \$53,266,197, respectively. The total cost of all programs and services was \$50,583,117 for 2014 and \$50,264,572 for 2013.

HATTIESBURG PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2**  
**Changes in Net Position**

|   | Year Ended<br>June 30, 2014 | Year Ended<br>June 30, 2013 | Percentage<br>Change |
|---|-----------------------------|-----------------------------|----------------------|
| <b>Revenues:</b>                                      |                             |                             |                      |
| Program revenues:                                     |                             |                             |                      |
| Charges for services                                  | \$ 392,475                  | \$ 413,720                  | (5.14) %             |
| Operating grants and contributions                    | 10,252,033                  | 10,737,040                  | (4.52) %             |
| General revenues:                                     |                             |                             |                      |
| Property taxes  | 19,110,157                  | 18,352,626                  | 4.13 %               |
| Grants and contributions not restricted               | 18,421,579                  | 18,993,941                  | (3.01) %             |
| Investment earnings                                   | 47,612                      | 48,177                      | (1.17) %             |
| Sixteenth section sources                             | 80,970                      | 79,898                      | 1.34 %               |
| Other   | 2,347,097                   | 4,640,795                   | (49.42) %            |
| <b>Total revenues</b>                                 | <b>50,651,923</b>           | <b>53,266,197</b>           | <b>(4.91) %</b>      |
| <b>Expenses:</b>                                      |                             |                             |                      |
| Instruction   | 26,007,667                  | 25,767,900                  | 0.93 %               |
| Support services                                      | 20,455,829                  | 20,154,857                  | 1.49 %               |
| Non-instructional                                     | 3,484,499                   | 3,753,260                   | (7.16) %             |
| Sixteenth section                                     | 12,230                      | 9,014                       | 35.68 %              |
| Interest on long-term liabilities                     | 622,892                     | 579,541                     | 7.48 %               |
| <b>Total expenses</b>                                 | <b>50,583,117</b>           | <b>50,264,572</b>           | <b>0.63 %</b>        |
| <b>Increase (Decrease) in net position</b>            | <b>68,806</b>               | <b>3,001,625</b>            | <b>(97.71) %</b>     |
| <b>Net Position, July 1, as previously reported *</b> | <b>23,267,798</b>           | <b>20,266,173</b>           | <b>14.81 %</b>       |
| <b>Net Position, June 30</b>                          | <b>\$ 23,336,604</b>        | <b>\$ 23,267,798</b>        | <b>0.30 %</b>        |

HATTIESBURG PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**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 liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3  
Net Cost of Governmental Activities**

|                                    | <u>Total Expenses</u>         |                               | <u>Percentage<br/>Change</u> |
|------------------------------------|-------------------------------|-------------------------------|------------------------------|
|                                    | <u>2014</u>                   | <u>2013</u>                   |                              |
| Instruction                        | \$ 26,007,667                 | \$ 25,767,900                 | 0.93 %                       |
| Support services                   | 20,455,829                    | 20,154,857                    | 1.49 %                       |
| Non-instructional                  | 3,484,499                     | 3,753,260                     | (7.16) %                     |
| Sixteenth section                  | 12,230                        | 9,017                         | 35.63 %                      |
| Interest on long-term liabilities  | 622,892                       | 579,541                       | 7.48 %                       |
| <b>Total expenses</b>              | <b><u>\$ 50,583,117</u></b>   | <b><u>\$ 50,264,575</u></b>   | <b>0.63 %</b>                |
|                                    |                               |                               |                              |
|                                    | <u>Net (Expense) Revenue</u>  |                               | <u>Percentage<br/>Change</u> |
|                                    | <u>2014</u>                   | <u>2013</u>                   |                              |
| Instruction                        | \$ (21,991,600)               | \$ (21,280,686)               | 3.34 %                       |
| Support services                   | (17,302,587)                  | (17,124,894)                  | 1.04 %                       |
| Non-instructional                  | (9,300)                       | (119,677)                     | (92.23) %                    |
| Sixteenth section                  | (12,230)                      | (9,014)                       | 35.68 %                      |
| Interest on long-term liabilities  | (622,892)                     | (579,541)                     | 7.48 %                       |
| <b>Total net (expense) revenue</b> | <b><u>\$ (39,938,609)</u></b> | <b><u>\$ (39,113,812)</u></b> | <b>2.11 %</b>                |

- Net cost of governmental activities (\$39,938,609 for 2014 and \$39,113,812 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$19,110,157 for 2014 and \$18,352,626 for 2013) and state and federal revenues (\$18,421,579 for 2014 and \$18,993,941 for 2013). In addition, there was \$80,970 and \$79,898 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$47,612 for 2014 and \$48,177 for 2013.

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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 \$12,944,428, decrease of \$3,444,043, which includes an increase in reserve for inventory of \$34,403. \$3,632,589 or 28% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$9,311,839 or 72% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,696,298. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,747,745, which includes an increase in reserve for inventory of \$8,618, due primarily to normal operations of the school district. The increase (decrease) in the fund balances for the other major funds were as follows:

| <u>Major Fund</u>           | <u>Increase (Decrease)</u> |
|-----------------------------|----------------------------|
| Title I Fund                | no increase or decrease    |
| IDEA Part B Fund            | no increase or decrease    |
| 16th Section Principal Fund | no increase or decrease    |

### BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, Title I Fund, and IDEA Part B Fund is provided in this report as required supplementary information.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$52,448,677, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,943,818 from 2013. Total accumulated depreciation as of June 30, 2014, was \$22,709,296, and total depreciation expense for the year was \$1,255,379, resulting in total net capital assets of \$29,739,381.

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

|                                      | <u>June 30, 2014</u> | <u>June 30, 2013</u> | <u>Percentage</u><br><u>Change</u> |
|--------------------------------------|----------------------|----------------------|------------------------------------|
| Land                                 | \$ 522,938           | \$ 471,296           | 10.96 %                            |
| Construction in Progress             | 1,462,613            | 419,490              | 248.66 %                           |
| Buildings                            | 22,303,562           | 22,865,406           | (2.46) %                           |
| Building improvements                | 1,397,680            | 1,082,325            | 29.14 %                            |
| Improvements other than buildings    | 2,498,411            | 2,442,165            | 2.30 %                             |
| Mobile equipment                     | 1,027,030            | 1,278,938            | (19.70) %                          |
| Furniture and equipment              | 383,517              | 388,215              | (1.21) %                           |
| Leased property under capital leases | 143,630              | 42,497               | 237.98 %                           |
| <b>Total</b>                         | <b>\$ 29,739,381</b> | <b>\$ 28,990,332</b> | <b>2.58 %</b>                      |

HATTIESBURG PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

**Debt Administration.** At June 30, 2014, the District had \$19,102,953 in outstanding long-term debt, of which \$2,358,429 is due within one year. The liability for compensated absences decreased \$10,686 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

|   | <u>2014</u>                 | <u>2013</u>                 |                    |             |
|---|-----------------------------|-----------------------------|--------------------|-------------|
| General obligation bonds payable            | \$ 6,290,000                | \$ 7,785,000                | (1,495,000)        | -19%        |
| Limited obligation bonds payable            | 3,261,000                   | 3,911,000                   | (650,000)          | -17%        |
| Three mill notes payable                    | 3,000,000                   | 3,305,000                   | (305,000)          | -9%         |
| Shrotfall notes payable                     | 155,358                     | 428,870                     | (273,512)          | -64%        |
| Obligations under capital lease             | 120,188                     | 234,124                     | (113,936)          | -49%        |
| Qualified school construction bonds payable | 6,000,000                   | 6,000,000                   | -                  | 0%          |
| Compensated absences payable                | 276,407                     | 287,092                     | (10,685)           | -4%         |
| <b>Total</b>                                | <b><u>\$ 19,102,953</u></b> | <b><u>\$ 21,951,086</u></b> | <b>(2,848,133)</b> | <b>-13%</b> |

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

**CURRENT ISSUES**

The Hattiesburg Public School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence. 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 any questions about this report or need additional financial information, contact the Superintendent's Office of the Hattiesburg Public School District, 301 Mamie Street, Hattiesburg, MS 39403.

HATTIESBURG PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**EXHIBIT A**

|   |    | <b>Primary Government<br/>Governmental<br/>Activities</b> |
|---|----|---|
| <hr/>   |    |   |
| <b>ASSETS:</b>                                  |    |   |
| Cash and cash equivalents                       | \$ | 5,952,406   |
| Due from other governments                      |    | 2,398,949   |
| Inventories and Prepaids                        |    | 324,673   |
| Restricted assets                               |    | 4,665,522   |
| Capital assets, non-depreciable                 |    |   |
| Land  |    | 522,938   |
| Construction in progress                        |    | 1,462,613   |
| Capital assets, net of accumulated depreciation |    |   |
| Buildings                                       |    | 22,303,562  |
| Building improvements                           |    | 1,397,680   |
| Improvements other than buildings               |    | 2,498,411   |
| Mobile equipment                                |    | 1,027,030   |
| Furniture and equipment                         |    | 383,517   |
| Leased property under capital leases            |    | 143,630   |
|   |    | <hr/>   |
| <b>TOTAL ASSETS</b>                             |    | <b>43,080,931</b>   |
|   |    | <hr/>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |    |   |
| Deferred charges                                |    | 77,803  |
|   |    | <hr/>   |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>     |    | <b>77,803</b>   |
|   |    | <hr/>   |
| <b>LIABILITIES:</b>                             |    |   |
| Accounts payable and accrued liabilities        |    | 375,197   |
| Interest payable on long term liabilities       |    | 131,518   |
| Due to other governments                        |    | 6,825   |
| Retainage payable                               |    | 15,100  |
| Long-term liabilities (Due within one year)     |    |   |
| Capital related liabilities                     |    | 1,823,031   |
| Non-capital related liabilities                 |    | 535,398   |
| Long-term liabilities (Due beyond one year)     |    |   |
| Capital related liabilities                     |    | 11,030,356  |
| Non-capital related liabilities                 |    | 5,714,168   |
|   |    | <hr/>   |
| <b>TOTAL LIABILITIES</b>                        |    | <b>19,631,593</b>   |
|   |    | <hr/>   |

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**EXHIBIT A**

**Primary Government  
Governmental  
Activities**

|  |                      |
|--|----------------------|
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                      |
| Bond premiums                              | 190,537              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | 190,537              |
| <br><b>NET POSITION:</b>                   |                      |
| Net investment in capital assets           | 16,773,260           |
| Restricted for:                            |                      |
| Expendable:                                |                      |
| School-based activities                    | 1,722,534            |
| Debt service                               | 2,376,486            |
| Capital improvements                       | 1,802,977            |
| Unemployment benefits                      | 112,301              |
| Non-expendable:                            |                      |
| Sixteenth section                          | 2,907,588            |
| Unrestricted:                              | (2,358,542)          |
| <br><b>TOTAL NET POSITION</b>              | <b>\$ 23,336,604</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, 2014**

**EXHIBIT B**

| <b>Functions/Programs</b>                               | <b>Expenses</b>      | <b>Program Revenues</b>         |   |   | <b>Net (Expense) Revenue<br/>and Changes in Net<br/>Position</b> |
|---|----------------------|---------------------------------|---|---|--|
|   |                      | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> | <b>Primary Government<br/>Governmental<br/>Activities</b>        |
| Primary Government:                                     |                      |                                 |   |   |  |
| Governmental Activities:                                |                      |                                 |   |   |  |
| Instruction   | \$ 26,007,667        | \$ 215,605                      | \$ 3,800,462                                      | \$ -  | (21,991,600)   |
| Support services  | 20,455,829           |                                 | 3,153,242   | -   | (17,302,587)   |
| Non-instructional                                       | 3,484,499            | 176,870                         | 3,298,329   | -   | (9,300)  |
| Sixteenth section                                       | 12,230               | -                               | -   | -   | (12,230)   |
| Interest and other expenses<br>on long-term liabilities | 622,892              | -                               | -   | -   | (622,892)  |
| <b>Total governmental activities</b>                    | <b>\$ 50,583,117</b> | <b>392,475</b>                  | <b>10,252,033</b>                                 | <b>-</b>  | <b>(39,938,609)</b>  |
| Taxes:  |                      |                                 |   |   |  |
|   |                      |                                 |   |   | 16,762,799   |
|   |                      |                                 |   |   | 2,347,358  |
| Unrestricted grants & contributions:                    |                      |                                 |   |   |  |
|   |                      |                                 |   |   | 18,088,758   |
|   |                      |                                 |   |   | 332,821  |
|   |                      |                                 |   |   | 47,612   |
|   |                      |                                 |   |   | 80,970   |
|   |                      |                                 |   |   | 2,347,097  |
|   |                      |                                 |   |   | 40,007,415   |
|   |                      |                                 |   |   | 68,806   |
|   |                      |                                 |   |   | 23,267,798   |
|   |                      |                                 |   |   | \$ 23,336,604  |

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

EXHIBIT C

|  | MAJOR FUNDS         |                   |                        |                                   |                                | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|------------------------|-----------------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund     | Title I<br>Fund   | IDEA<br>Part B<br>Fund | 16th Section<br>Principal<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>ASSETS:</b>                             |                     |                   |                        |                                   |                                |                                |
| Cash and cash equivalents                  | \$ 1,893,597        | \$ -              | \$ 800                 | \$ 2,918,691                      | \$ 4,058,009                   | \$ 8,871,097                   |
| Cash with fiscal agents                    | -                   | -                 | -                      | -                                 | 1,406,070                      | 1,406,070                      |
| Investments                                | -                   | -                 | -                      | -                                 | 340,761                        | 340,761                        |
| Due from other governments                 | 922,478             | 544,434           | 161,340                | -                                 | 767,372                        | 2,395,624                      |
| Due from other funds                       | 1,232,805           | -                 | -                      | -                                 | 29,104                         | 1,261,909                      |
| Inventories and prepaid items              | 254,700             | -                 | -                      | -                                 | 69,973                         | 324,673                        |
| <b>TOTAL ASSETS</b>                        | <b>\$ 4,303,580</b> | <b>\$ 544,434</b> | <b>\$ 162,140</b>      | <b>\$ 2,918,691</b>               | <b>\$ 6,671,289</b>            | <b>\$ 14,600,134</b>           |
| <b>LIABILITIES &amp; FUND BALANCES:</b>    |                     |                   |                        |                                   |                                |                                |
| <b>Liabilities:</b>                        |                     |                   |                        |                                   |                                |                                |
| Accounts payable and accrued liabilities   | \$ 133,033          | \$ 4,006          | \$ 1,687               | \$ -                              | \$ 236,472                     | \$ 375,198                     |
| Due to other funds                         | 24,765              | 540,428           | 160,453                | 11,103                            | 528,659                        | 1,265,408                      |
| Retainage payable                          | -                   | -                 | -                      | -                                 | 15,100                         | 15,100                         |
| <b>Total Liabilities</b>                   | <b>157,798</b>      | <b>544,434</b>    | <b>162,140</b>         | <b>11,103</b>                     | <b>780,231</b>                 | <b>1,655,706</b>               |
| <b>Fund Balances:</b>                      |                     |                   |                        |                                   |                                |                                |
| <b>Nonspendable:</b>                       |                     |                   |                        |                                   |                                |                                |
| Inventory and prepaid items                | 254,700             | -                 | -                      | -                                 | -                              | 254,700                        |
| Permanent fund principal                   | -                   | -                 | -                      | 2,907,588                         | -                              | 2,907,588                      |
| <b>Restricted:</b>                         |                     |                   |                        |                                   |                                |                                |
| Capital projects                           | -                   | -                 | -                      | -                                 | 1,802,977                      | 1,802,977                      |
| Debt service                               | -                   | -                 | -                      | -                                 | 2,508,004                      | 2,508,004                      |
| Grant activities                           | -                   | -                 | -                      | -                                 | 1,297,936                      | 1,297,936                      |
| Unemployment benefits                      | -                   | -                 | -                      | -                                 | 112,301                        | 112,301                        |
| Ad Valorem Esrow                           | 223,848             | -                 | -                      | -                                 | -                              | 223,848                        |
| <b>Committed:</b>                          |                     |                   |                        |                                   |                                |                                |
| Board designated activities                | -                   | -                 | -                      | -                                 | 169,898                        | 169,898                        |
| <b>Assigned:</b>                           |                     |                   |                        |                                   |                                |                                |
| Student activities                         | 34,587              | -                 | -                      | -                                 | -                              | 34,587                         |
| Unassigned                                 | 3,632,647           | -                 | -                      | -                                 | (58)                           | 3,632,589                      |
| <b>Total Fund Balances</b>                 | <b>4,145,782</b>    | <b>-</b>          | <b>-</b>               | <b>2,907,588</b>                  | <b>5,891,058</b>               | <b>12,944,428</b>              |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 4,303,580</b> | <b>\$ 544,434</b> | <b>\$ 162,140</b>      | <b>\$ 2,918,691</b>               | <b>\$ 6,671,289</b>            | <b>\$ 14,600,134</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 POSITION  
JUNE 30, 2014**

**EXHIBIT C-1**

Total Fund Balance - Governmental Funds \$ 12,944,428

Amounts reported for governmental activities in the statement of net position  
(Exhibit A) are different because:

1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds:

|                                      |                     |            |
|--------------------------------------|---------------------|------------|
| Land                                 | 522,938             |            |
| Construction in progress             | 1,462,613           |            |
| Buildings                            | 36,423,306          |            |
| Building improvements                | 1,692,057           |            |
| Improvements other than buildings    | 4,123,823           |            |
| Mobile equipment                     | 2,399,187           |            |
| Furniture and equipment              | 4,838,454           |            |
| Leased property under capital leases | 986,299             |            |
| Accumulated Depreciation             | <u>(22,709,296)</u> | 29,739,381 |

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

|                                     |                  |                     |
|-------------------------------------|------------------|---------------------|
| General obligation bonds            | (6,290,000)      |                     |
| Limited obligation bonds            | (3,261,000)      |                     |
| Three mill notes payable            | (3,000,000)      |                     |
| Shortfall notes payable             | (155,358)        |                     |
| Obligations under capital lease     | (120,188)        |                     |
| Qualified school construction bonds | (6,000,000)      |                     |
| Accrued interest payable            | (131,518)        |                     |
| Bond premiums                       | (190,537)        |                     |
| Deferred charges                    | 77,803           |                     |
| Compensated absences                | <u>(276,407)</u> | <u>(19,347,205)</u> |

Total Net Position - Governmental Activities \$ 23,336,604

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, 2014**

EXHIBIT D

|  | MAJOR FUNDS         |                  |                  |                     |                       |                       |
|--|---------------------|------------------|------------------|---------------------|-----------------------|-----------------------|
|  | General             | Title I          | IDEA             | 16th Section        | Other                 | Total                 |
|  | Fund                | Fund             | Part B<br>Fund   | Principal<br>Fund   | Governmental<br>Funds | Governmental<br>Funds |
| <b>Revenues:</b>   |                     |                  |                  |                     |                       |                       |
| Local Sources  | \$ 16,722,866       | \$ 9,900         | \$ -             | \$ 3,739            | \$ 2,661,707          | \$ 19,398,212         |
| State Sources  | 17,598,969          | -                | -                | -                   | 2,495,130             | 20,094,099            |
| Federal Sources  | 332,821             | 2,895,193        | 1,135,639        | -                   | 4,510,588             | 8,874,241             |
| Sixteenth Section Sources                                    | -                   | -                | -                | 7,364               | 80,970                | 88,334                |
| <b>Total Revenues</b>  | <b>34,654,656</b>   | <b>2,905,093</b> | <b>1,135,639</b> | <b>11,103</b>       | <b>9,748,395</b>      | <b>48,454,886</b>     |
| <b>Expenditures:</b>   |                     |                  |                  |                     |                       |                       |
| Instruction  | 20,164,378          | 1,209,452        | 598,360          | -                   | 4,045,519             | 26,017,709            |
| Support Services   | 15,069,210          | 1,472,467        | 497,279          | -                   | 2,367,732             | 19,406,688            |
| Noninstructional Services                                    | 132,102             | 151,766          | -                | -                   | 3,367,027             | 3,650,895             |
| Sixteenth Section  | -                   | -                | -                | -                   | 12,230                | 12,230                |
| Facilities Acquisition and Construction                      | 51,642              | -                | -                | -                   | 1,615,196             | 1,666,838             |
| Debt Service:  |                     |                  |                  |                     |                       |                       |
| Principal  | 387,449             | -                | -                | -                   | 2,425,000             | 2,812,449             |
| Interest   | 20,497              | -                | -                | -                   | 401,397               | 421,894               |
| Other  | -                   | -                | -                | -                   | -                     | -                     |
| <b>Total Expenditures</b>                                    | <b>35,825,278</b>   | <b>2,833,685</b> | <b>1,095,639</b> | <b>-</b>            | <b>14,234,101</b>     | <b>53,988,703</b>     |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>(1,170,622)</b>  | <b>71,408</b>    | <b>40,000</b>    | <b>11,103</b>       | <b>(4,485,706)</b>    | <b>(5,533,817)</b>    |
| <b>Other Financing Sources (Uses):</b>                       |                     |                  |                  |                     |                       |                       |
| Insurance Recovery   | 21,110              | 29,110           | -                | -                   | 2,146,817             | 2,197,037             |
| Proceeds of Refunding Bond                                   | -                   | -                | -                | -                   | 3,375,000             | 3,375,000             |
| Payment to Retire Refunded Bond                              | -                   | -                | -                | -                   | (3,692,082)           | (3,692,082)           |
| Premiums on Refunded Bond Issued                             | -                   | -                | -                | -                   | 175,416               | 175,416               |
| Operating Transfers In                                       | 310,998             | 9,482            | -                | -                   | 1,020,413             | 1,340,893             |
| Operating Transfers Out                                      | (883,569)           | (110,000)        | (40,000)         | (11,103)            | (296,221)             | (1,340,893)           |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(551,461)</b>    | <b>(71,408)</b>  | <b>(40,000)</b>  | <b>(11,103)</b>     | <b>2,729,343</b>      | <b>2,055,371</b>      |
| <b>Net Change in Fund Balances</b>                           | <b>(1,722,083)</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>            | <b>(1,756,363)</b>    | <b>(3,478,446)</b>    |
| <b>Fund Balances:</b>  |                     |                  |                  |                     |                       |                       |
| July 1, 2013, as previously reported                         | 5,842,080           | -                | -                | 2,907,588           | 7,638,803             | 16,388,471            |
| Increase (Decrease) in Reserve for Inventory                 | 25,785              | -                | -                | -                   | 8,618                 | 34,403                |
| <b>June 30, 2014</b>   | <b>\$ 4,145,782</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 2,907,588</b> | <b>\$ 5,891,058</b>   | <b>\$ 12,944,428</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, 2014**

**EXHIBIT D-1**

Net Change in fund balances - governmental funds \$ (3,478,446)

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

|    |   |                    |                  |
|----|---|--------------------|------------------|
| 1. | Governmental fund report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:  |                    |                  |
|    | Capital outlay  | 2,010,225          |                  |
|    | Depreciation expense  | <u>(1,255,379)</u> | 754,846          |
| 2. | In the statement of activities, only the gain/loss on the sale of assets is reported, while in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in the net position differs from the change in fund balance by the cost of the assets sold.   |                    | (5,797)          |
| 3. | The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and the difference between the carrying value of refunded debt and the acquisitions cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statements of activities. |                    |                  |
|    | Issuance of bonds payable   | (3,375,000)        |                  |
|    | Payments of debt principal  | 6,212,448          |                  |
|    | Deferred charges associated with issuance of debt   | (3,825)            |                  |
|    | Amortization of bond premiums   | (145,059)          |                  |
|    | Accrued interest payable  | <u>64,550</u>      | 2,753,114        |
| 4. | Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:   |                    |                  |
|    | Change in compensated absences  | 10,686             |                  |
|    | Change in inventory reserve   | <u>34,403</u>      | <u>45,089</u>    |
|    | Change in net position of governmental activities   |                    | <u>\$ 68,806</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, 2014**

**EXHIBIT E**

|  | <b>Agency<br/>Funds</b> |
|--|-------------------------|
| <b>ASSETS</b>                            |                         |
| Cash and cash equivalents                | \$ 1,539,683            |
| Due from other funds                     | 6,825                   |
| <b>TOTAL ASSETS</b>                      | <b>1,546,508</b>        |
| <b>LIABILITIES</b>                       |                         |
| Accounts payable and accrued liabilities | 1,528,504               |
| Due to student clubs                     | 14,679                  |
| Due to other funds                       | 3,325                   |
| <b>TOTAL LIABILITIES</b>                 | <b>\$ 1,546,508</b>     |

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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.

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund – This special revenue fund accounts for funds for revenues and expenditures of the Title I Grant administered by U.S. Department of Education.

IDEA Part B Fund- This special revenue fund accounts for funds for revenues and expenditures of the Special Education IDEA Part B Grant administered by U.S. Department of Education.

16<sup>th</sup> Section Principal Fund – This fund accounts for revenues from 16th section property that is nonexpendable by the school district.

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 District's fiduciary funds include the following:

Club Funds- Accounts for receipt of money due to various school clubs

Clearing Funds- Accounts for claims and payroll liabilities

**GOVERNMENTAL FUNDS**

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

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.

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

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

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

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

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

3. Due from Other Governments

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

4. Inventories

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.

5. Restricted Assets

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

6. Capital Assets

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred charges on refunding bond      \$77,803

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will be recognized as an inflow of resources (revenue) until that time.

Bond premiums on refunding bond      \$190,537

See Note 6 for further details.

8. Compensated Absences

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Fund Balances

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

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

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

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

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

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed.

Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by policy adopted by the school district.

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2014

### Note 1 – Summary of Significant Accounting Policies-Continued

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

### Note 2 – Cash and Cash Equivalents

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.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 8,871,097 and \$1,539,683, respectively.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$10,801,569 was exposed to custodial credit risk.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 2 – Cash and Cash Equivalents-Continued**

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,406,070.

Investments

As of June 30, 2014, the district had the following investments.

| Investment Type  | Rating | Maturities<br>(in years) | Fair Value        |
|--|--------|--------------------------|-------------------|
| Hancock Horizon Treasury Securities<br>Class A Money Market Mutual Funds | AAAm   | less than 1              | \$ 340,761        |
| Total  |        |                          | <u>\$ 340,761</u> |

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

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk. The credit quality rating of investments is based on Standard & Poor's analysis of the fund's credit quality, market price exposure and management.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

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

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

| Receivable Fund          | Payable Fund                | Amount              |
|--------------------------|-----------------------------|---------------------|
| General fund             | IDEA Part B Fund            | \$ 160,453          |
|                          | Title 1                     | 540,429             |
|                          | Other Governmental Funds    | 528,599             |
|                          | Fiduciary Funds             | 3,325               |
| Other Governmental Funds | General Fund                | 17,940              |
|                          | 16th Section principal Fund | 11,103              |
|                          | Other Governmental Funds    | 60                  |
| Fiduciary Funds          | General Fund                | 6,825               |
| Totals                   |                             | <u>\$ 1,268,734</u> |

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

The purpose of the Due from/to other funds balances was to cover deficit cash balances. All balances are expected to be rapid within one year from the date of the financial statements.

**B. Inter-fund Transfers**

| <u>Transfers Out</u>        | <u>Transfers In</u>      | <u>Amount</u>       |
|-----------------------------|--------------------------|---------------------|
| General Fund                | Title 1                  | \$ 9,482            |
|                             | Other Governmental Funds | 874,087             |
| Title 1                     | General Fund             | 110,000             |
| IDEA Part B                 | General Fund             | 40,000              |
| 16th Section Principal Fund | Other Governmental Funds | 11,103              |
| Other Governmental Funds    | General Fund             | 160,998             |
|                             | Other Governmental Funds | <u>135,223</u>      |
| Totals                      |                          | <u>\$ 1,340,893</u> |

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$ 2,918,691 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance totaling \$340,761 of the MAEP Limited Obligation Bond/Note Fund and the cash with fiscal agents totaling \$1,406,070 for the Qualified School Construction Bond.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 5 – Capital Assets**

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

| ASSET GROUP                                 | BALANCE<br>7/1/2013 | INCREASES  | DECREASES  | COMPLETED<br>CONSTRUCTION | ADJUSTMENTS | BALANCE<br>6/30/2014 |
|---|---------------------|------------|------------|---------------------------|-------------|----------------------|
| <b><u>NON-DEPRECIABLE CAPITAL</u></b>       |                     |            |            |                           |             |                      |
| Land  | \$ 471,296          | \$ 51,642  | \$ -       | \$ -                      | \$ -        | \$ 522,938           |
| Construction in progress                    | 419,490             | 1,513,451  |            | (470,328)                 | -           | 1,462,613            |
| TOTAL NON-DEPRECIABLE                       | 890,786             | 1,565,093  | -          | (470,328)                 | -           | 1,985,551            |
| <b><u>DEPRECIABLE CAPITAL ASSETS</u></b>    |                     |            |            |                           |             |                      |
| Buildings                                   | 36,423,306          |            |            |                           |             | 36,423,306           |
| Building Improvements                       | 1,311,207           | -          |            | 380,850                   |             | 1,692,057            |
| Improvements other than Buildings           | 3,932,600           | 101,745    |            | 89,478                    |             | 4,123,823            |
| Mobile Equipment                            | 2,275,694           | 123,493    |            |                           |             | 2,399,187            |
| Furniture and Equipment                     | 4,684,967           | 219,894    | (66,407)   |                           |             | 4,838,454            |
| Leased Property under capital leases        | 986,299             |            |            |                           |             | 986,299              |
| TOTAL DEPRECIABLE CAPITAL                   | 49,614,073          | 445,132    | (66,407)   | 470,328                   | -           | 50,463,126           |
| <b><u>LESS ACCUMULATED DEPRECIATION</u></b> |                     |            |            |                           |             |                      |
| Buildings                                   | 13,557,900          | 561,844    |            |                           |             | 14,119,744           |
| Building Improvements                       | 228,882             | 65,495     |            |                           |             | 294,377              |
| Improvements other than Buildings           | 1,490,435           | 134,977    |            |                           |             | 1,625,412            |
| Mobile Equipment                            | 996,756             | 185,501    |            |                           | 189,900     | 1,372,157            |
| Furniture and Equipment                     | 4,296,752           | 218,795    | (60,610)   |                           |             | 4,454,937            |
| Leased Property under capital leases        | 943,802             | 88,767     |            |                           | (189,900)   | 842,669              |
| TOTAL ACCUMULATED DEPRECIATION              | 21,514,527          | 1,255,379  | (60,610)   | -                         | -           | 22,709,296           |
| TOTAL DEPR. CAPITAL ASSETS, NET             | 28,099,546          | (810,247)  | (5,797)    | 470,328                   | -           | 27,753,830           |
| <b>GOVERNMENTAL ACTIVITIES</b>              |                     |            |            |                           |             |                      |
| CAPITAL ASSETS, NET                         | \$ 28,990,332       | \$ 754,846 | \$ (5,797) | \$ -                      | \$ -        | \$ 29,739,381        |

Depreciation expense was charged to the following governmental functions:

|  | Amount       |
|--|--------------|
| <b>Governmental activities:</b>                      |              |
| Instruction  | \$ 32,694    |
| Support services                                     | 1,171,140    |
| Non-instructional                                    | 51,545       |
| Total depreciation expense - Governmental activities | \$ 1,255,379 |

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 5 – Capital Assets-Continued**

Construction in progress is composed of:

|                                    | Spent to<br>June 30, 2014 | Remaining<br>Commitment |
|------------------------------------|---------------------------|-------------------------|
| <b>Governmental Activities:</b>    |                           |                         |
| Maintenance Building               | \$ 154,048                | \$ 574,816              |
| Transportation Building            | 408,875                   | 506,641                 |
| Grace Christian Assembly Building  | 899,690                   | 135,454                 |
| <b>Total government activities</b> | <b>\$ 1,462,613</b>       | <b>\$ 1,216,911</b>     |

**Note 6 – Long-term Liabilities**

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

|   | Balance<br>7/1/2013  | Additions           | Reductions          | Balance<br>6/30/2014 | Amounts due<br>within one year |
|---|----------------------|---------------------|---------------------|----------------------|--------------------------------|
| A. General obligation bonds payable   | \$ 7,785,000         | \$ 3,375,000        | \$ 4,870,000        | \$ 6,290,000         | \$ 1,185,000                   |
| B. Limited obligation bonds payable   | 3,911,000            | -                   | 650,000             | 3,261,000            | 672,000                        |
| C. Three mill notes payable   | 3,305,000            | -                   | 305,000             | 3,000,000            | 325,000                        |
| D. Shortfall notes payable  | 428,870              | -                   | 273,512             | 155,358              | 87,248                         |
| E. Obligations under capital leases<br>Qualified school construction bonds<br>payable | 234,124              | -                   | 113,936             | 120,188              | 89,181                         |
| F. payable  | 6,000,000            | -                   | -                   | 6,000,000            | -                              |
| G. Compensated absences payable   | 287,093              | -                   | 10,686              | 276,407              | -                              |
| <b>Total</b>  | <b>\$ 21,951,087</b> | <b>\$ 3,375,000</b> | <b>\$ 6,223,134</b> | <b>\$ 19,102,953</b> | <b>\$ 2,358,429</b>            |

**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<br>Rate | Issue<br>Date | Maturity<br>Date | Amount<br>Issued    | Amount<br>Outstanding |
|---|------------------|---------------|------------------|---------------------|-----------------------|
| General obligation refunding<br>series 2013 | 3.00%            | 9/10/2013     | 4/15/2019        | \$ 3,375,000        | \$ 2,965,000          |
| General obligation refunding<br>series 2010 | 1.0-3.0%         | 4/1/2011      | 4/1/2018         | 6,355,000           | 3,325,000             |
| <b>Total</b>                                |                  |               |                  | <b>\$ 9,730,000</b> | <b>\$ 6,290,000</b>   |

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

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

1. General obligation bond issue of 9/10/13:

| Year Ending<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2015                   | \$ 395,000          | \$ 88,950         | \$ 483,950          |
| 2016                   | 440,000             | 77,100            | 517,100             |
| 2017                   | 465,000             | 63,900            | 528,900             |
| 2018                   | 510,000             | 49,950            | 559,950             |
| 2019                   | 1,155,000           | 34,650            | 1,189,650           |
| <b>Total</b>           | <b>\$ 2,965,000</b> | <b>\$ 314,550</b> | <b>\$ 3,279,550</b> |

This debt will be retired from the Bond Retirement Fund.

2. General obligation bond issue of 4/1/11:

| Year Ending<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2015                   | \$ 790,000          | \$ 87,625         | \$ 877,625          |
| 2016                   | 845,000             | 71,825            | 916,825             |
| 2017                   | 825,000             | 50,700            | 875,700             |
| 2018                   | 865,000             | 25,950            | 890,950             |
| <b>Total</b>           | <b>\$ 3,325,000</b> | <b>\$ 236,100</b> | <b>\$ 3,561,100</b> |

This debt will be retired from the Bond Retirement Fund.

Total general obligation bond payments for all issues:

| Year Ending<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2015                   | \$ 1,185,000        | \$ 176,575        | \$ 1,361,575        |
| 2016                   | 1,285,000           | 148,925           | 1,433,925           |
| 2017                   | 1,290,000           | 114,600           | 1,404,600           |
| 2018                   | 1,375,000           | 75,900            | 1,450,900           |
| 2019                   | 1,155,000           | 34,650            | 1,189,650           |
| <b>Total</b>           | <b>\$ 6,290,000</b> | <b>\$ 550,650</b> | <b>\$ 6,840,650</b> |

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2013.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

On October 14, 2013, the district issued \$3,375,000 in general obligation refunding bonds with an interest rate of 3% to retire through a current refunding \$3,400,000 of outstanding general obligation bonds with an average rate of interest of 4%. The net proceeds of \$3,516,666 after issuance costs and a bond premium of \$175,416 was paid on the outstanding general obligation bond.

As a result, \$3,400,000 of the Series 2003 general obligation refunding bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

**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  |
|---|---------------|------------|---------------|---------------------|---------------------|
| 1. State aid capital refunding bonds, series 2008 | 3.34%         | 7/31/2008  | 2/1/2018      | \$ 5,973,000        | \$ 3,261,000        |
| Total   |               |            |               | <u>\$ 5,973,000</u> | <u>\$ 3,261,000</u> |

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

1. Limited obligation bond issue of 7/31/08:

| Year Ending June 30 | Principal           | Interest          | Total               |
|---------------------|---------------------|-------------------|---------------------|
| 2015                | \$ 672,000          | \$ 97,695         | \$ 769,695          |
| 2016                | 694,000             | 74,883            | 768,883             |
| 2017                | 718,000             | 51,303            | 769,303             |
| 2018                | 1,177,000           | 26,921            | 1,203,921           |
| Total               | <u>\$ 3,261,000</u> | <u>\$ 250,802</u> | <u>\$ 3,511,802</u> |

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 6 – 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  |
|-----------------------------------|---------------|------------|---------------|---------------------|---------------------|
| 1. Limited tax notes, Series 2011 | 2.84%         | 3/7/2011   | 3/9/2019      | \$ 1,000,000        | \$ 690,000          |
| 2. Limited tax notes, Series 2012 | 2.42%         | 6/15/2012  | 6/15/2025     | 2,700,000           | 2,310,000           |
| Total                             |               |            |               | <u>\$ 3,700,000</u> | <u>\$ 3,000,000</u> |

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

1. Limited Tax Notes, Series 2011 issue of 3/7/11:

| Year Ending June 30 | Principal         | Interest         | Total             |
|---------------------|-------------------|------------------|-------------------|
| 2015                | \$ 120,000        | \$ 19,596        | \$ 139,596        |
| 2016                | 130,000           | 16,188           | 146,188           |
| 2017                | 140,000           | 12,496           | 152,496           |
| 2018                | 150,000           | 8,520            | 158,520           |
| 2019                | 150,000           | 4,260            | 154,260           |
| Total               | <u>\$ 690,000</u> | <u>\$ 61,060</u> | <u>\$ 751,060</u> |

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

2. Limited Tax Notes, Series 2012, issue of 6/15/12:

| Year Ending June 30 | Principal           | Interest          | Total               |
|---------------------|---------------------|-------------------|---------------------|
| 2015                | \$ 205,000          | \$ 51,369         | \$ 256,369          |
| 2016                | 205,000             | 48,294            | 253,294             |
| 2017                | 205,000             | 45,219            | 250,219             |
| 2018                | 205,000             | 41,888            | 246,888             |
| 2019                | 210,000             | 38,300            | 248,300             |
| 2020 – 2024         | 1,075,000           | 121,676           | 1,196,676           |
| 2025                | 205,000             | 6,663             | 211,663             |
| Total               | <u>\$ 2,310,000</u> | <u>\$ 353,409</u> | <u>\$ 2,663,409</u> |

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

Total three mill notes payable payments for all issues:

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

| Year Ending<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2015                   | \$ 325,000          | \$ 70,965         | \$ 395,965          |
| 2016                   | 335,000             | 64,482            | 399,482             |
| 2017                   | 345,000             | 57,715            | 402,715             |
| 2018                   | 355,000             | 50,408            | 405,408             |
| 2019                   | 360,000             | 42,560            | 402,560             |
| 2020 – 2024            | 1,075,000           | 121,676           | 1,196,676           |
| 2025                   | 205,000             | 6,663             | 211,663             |
| <b>Total</b>           | <b>\$ 3,000,000</b> | <b>\$ 414,469</b> | <b>\$ 3,414,469</b> |

**D. Shortfall notes payable**

Debt currently outstanding is as follows:

| Description                             | Interest Rate | Issue Date | Maturity Date | Amount Issued    | Amount Outstanding |
|---|---------------|------------|---------------|------------------|--------------------|
| 1.. Revenue shortfall note, series 2011 | 2.99%         | 8/10/2011  | 8/10/2014     | 60,000           | 20,592             |
| 2. Revenue shortfall note, series 2012  | 2.15%         | 7/25/2012  | 7/25/2015     | 20,000           | 134,766            |
| <b>Total</b>                            |               |            |               | <b>\$ 80,000</b> | <b>\$ 155,358</b>  |

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

- Shortfall notes payable issue of 8/10/11:

| Year Ending<br>June 30 | Principal        | Interest      | Total            |
|------------------------|------------------|---------------|------------------|
| 2015                   | \$ 20,592        | \$ 616        | \$ 21,208        |
| <b>Total</b>           | <b>\$ 20,592</b> | <b>\$ 616</b> | <b>\$ 21,208</b> |

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

This debt will be retired from the General Fund.

2. Shortfall notes payable issue of 7/25/12:

| Year Ending<br>June 30 | Principal  | Interest | Total      |
|------------------------|------------|----------|------------|
| 2015                   | \$ 66,656  | \$ 2,938 | \$ 69,594  |
| 2016                   | 68,110     | 1,484    | 69,594     |
| Total                  | \$ 134,766 | \$ 4,422 | \$ 139,188 |

This debt will be retired from the General Fund.

Total shortfall notes payable payments for all issues:

| Year Ending<br>June 30 | Principal  | Interest | Total      |
|------------------------|------------|----------|------------|
| 2015                   | \$ 87,248  | \$ 3,554 | \$ 90,802  |
| 2016                   | 68,110     | 1,484    | 69,594     |
| Total                  | \$ 155,358 | \$ 5,038 | \$ 160,396 |

**E. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of real property improvements and buses at a total cost of \$986,299. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. The School District has entered into a master lease agreement for the lease of ten buses for a total of \$486,300 at 4.13% interest. 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 end of the lease term. This debt will be retired from the General Fund. The amount outstanding on this lease at June 30, 2013, is \$29,454.

2. The School District has entered into a master lease agreement for the lease of ten buses for a total of \$499,999 at 5.08% interest. The original issue date was May 23, 2008. This lease expires October 10, 2015, and does not contain any renewal options. The district will take possession of the assets at the end of the lease term. This debt will be retired from the General Fund. The amount outstanding on this lease at June 30, 2013, is \$90,734.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

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

| Year Ending<br>June 30 | Principal  | Interest and<br>Maintenance<br>Charges | Total      |
|------------------------|------------|--|------------|
| 2015                   | \$ 89,180  | \$ 4,468                               | \$ 93,648  |
| 2016                   | 31,008     | 788                                    | 31,796     |
| Total                  | \$ 120,188 | \$ 5,256                               | \$ 125,444 |

**F. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

| Description                     | Interest<br>Rate | Issue<br>Date | Maturity<br>Date | Amount<br>Issued | Amount<br>Outstanding |
|---------------------------------|------------------|---------------|------------------|------------------|-----------------------|
| 1. Qualified School Constuction |                  |               |                  | \$               | \$                    |
| Bonds, Series 2009              | 0.94%            | 9/15/2009     | 9/15/2024        | 3,000,000        | 3,000,000             |
| 2 Qualified School Constuction  |                  |               |                  |                  |                       |
| Bonds, series 2010              | 1.25%            | 12/1/2010     | 12/1/2025        | 3,000,000        | 3,000,000             |
| Total                           |                  |               |                  | \$ 6,000,000     | \$ 6,000,000          |

The Series 2009 and 2010 Qualified School Construction Bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi in the form of Education Enhancement Funds pursuant to Code Section 37-61-33(2)(d), Miss. Code Ann. (1972).

The School District has pledged a portion of future state Education Enhancement Fund revenue to repay \$6,000,000 in Qualified School Construction Bonds. \$3,000,000 was issued September 15, 2009 and another \$3,000,000 was issued December 1, 2010. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Education Enhancement Fund and other district funds and are payable through September 15, 2024 and December 1, 2025, respectively. Annual principal and interest payments on the bonds are expected to require all of such state revenues, with the remaining amounts to be paid through revenues received from a local debt service tax levy. As further explained in Note 12, total annual sinking funding payments remaining to be paid on the Series 2009 bond is \$2,200,000 and the Series 2010 bond is \$2,400,000. Sinking fund payments for the current year and total Education Enhancement fund pledged revenues were \$200,000 and \$202,629, respectively.

**G. Compensated absences payable**

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 7 – Short-Term Financing**

During the fiscal year ended June 30, 2014, the school district participated in the following short-term financing for the purpose of revenue anticipation note:

The school district issued a revenue anticipation note payable to Guaranty Bank & Trust Company and the proceeds from such issuance are accounted for as a current liability in the General fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

| Description                  | Balance<br>7/1/2013 | Additions    | Reductions   | Balance<br>6/30/2014 |
|------------------------------|---------------------|--------------|--------------|----------------------|
| 1. Revenue Anticipation Note | \$ -                | \$ 1,200,000 | \$ 1,200,000 | \$ -                 |

**Note 8 – 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 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$3,962,719, \$3,725,885 and \$3,306,966, respectively, which equaled the required contributions for each year.

**Note 9 – Sixteenth Section Lands**

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 9 – Sixteenth Section Lands (continued)**

| Year Ending<br>June 30 | Amount            |
|------------------------|-------------------|
| 2015                   | \$ 41,603         |
| 2016                   | 41,037            |
| 2017                   | 41,037            |
| 2018                   | 41,037            |
| 2019                   | 41,037            |
| 2020 – 2024            | 204,649           |
| 2025 – 2029            | 193,286           |
| 2030 – 2034            | 170,830           |
| 2035 – 2039            | 133,844           |
| 2040-2043              | 80,988            |
| Total                  | <u>\$ 989,348</u> |

**Note 10 – Contingencies**

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

**Note 11 – Risk Management**

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

**Note 12 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 12 – Qualified School Construction Bonds-Continued**

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$1,406,070. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

| Year Ending<br>June 30 | 2009 Series         | 2010 Series      | Total            |
|------------------------|---------------------|------------------|------------------|
| 2015                   | \$ 200,000          | 200,000          | 400,000          |
| 2016                   | 200,000             | 200,000          | 400,000          |
| 2017                   | 200,000             | 200,000          | 400,000          |
| 2018                   | 200,000             | 200,000          | 400,000          |
| 2019                   | 200,000             | 200,000          | 400,000          |
| 2020 – 2024            | 1,000,000           | 1,000,000        | 2,000,000        |
| 2025 – 2027            | 200,000             | 400,000          | 600,000          |
| Total                  | \$ <u>2,200,000</u> | <u>2,400,000</u> | <u>4,600,000</u> |

**Note 13 – Insurance Loss Recoveries**

The Hattiesburg Public School District received \$2,197,037 in insurance loss recoveries related to the February, 2013 tornado damage. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other revenues and allocated among the expenditure functions based on how funds were expended for repairs as follows:

| <u>Insurance Loss Recoveries</u> | <u>Percentage</u> | <u>Expenditure Function</u> |
|----------------------------------|-------------------|-----------------------------|
| \$ 1,186,400                     | 54%               | Instruction                 |
| <u>1,010,637</u>                 | 46%               | Support Services            |
| <u>\$ 2,197,037</u>              |                   |                             |

**Note 14 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Hattiesburg Public School District evaluated the activity of the district through November 14, 2014, the date the financial statements were available to be issued and determined there were no subsequent events that have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

SCHEDULE 1a

|  | Budgeted Amounts    |                     | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|---------------------|---------------------|------------------------|----------------------------------|--------------------|
|  | Original            | Final               |                        | Original<br>to Final             | Final<br>to Actual |
|  |                     |                     |                        |                                  |                    |
| <b>Revenues:</b>   |                     |                     |                        |                                  |                    |
| Local Sources  | \$ 16,391,294       | \$ 16,722,866       | \$ 16,722,866          | \$ 331,572                       | \$ -               |
| State Sources  | 17,475,970          | 17,610,969          | 17,598,969             | 134,999                          | (12,000)           |
| Federal Sources  | 596,852             | 15,059              | 332,821                | (581,793)                        | 317,762            |
| <b>Total Revenues</b>  | <u>34,464,116</u>   | <u>34,348,894</u>   | <u>34,654,656</u>      | <u>(115,222)</u>                 | <u>305,762</u>     |
| <b>Expenditures:</b>   |                     |                     |                        |                                  |                    |
| Instruction  | 19,656,881          | 19,955,939          | 20,164,378             | (299,058)                        | (208,439)          |
| Support Services   | 15,597,184          | 15,017,058          | 15,069,210             | 580,126                          | (52,152)           |
| Noninstructional Services                                    | 146,191             | 132,102             | 132,102                | 14,089                           | -                  |
| Facilities Acquisition & Construction                        | -                   | 88,076              | 51,642                 | (88,076)                         | 36,434             |
| Debt Service   | 407,946             | 407,946             | 407,946                | -                                | -                  |
| <b>Total Expenditures</b>                                    | <u>35,808,202</u>   | <u>35,601,121</u>   | <u>35,825,278</u>      | <u>207,081</u>                   | <u>(224,157)</u>   |
| <b>Excess (Deficiency) of Revenues<br/>over Expenditures</b> | <u>(1,344,086)</u>  | <u>(1,252,227)</u>  | <u>(1,170,622)</u>     | <u>91,859</u>                    | <u>81,605</u>      |
| <b>Other Financing Sources (Uses):</b>                       |                     |                     |                        |                                  |                    |
| Insurance Recovery   | 1,000               | 21,110              | 21,110                 | 20,110                           | -                  |
| Indirect Costs   | 219,022             | 255,786             | -                      | 36,764                           | (255,786)          |
| Operating Transfers In                                       | 5,292,970           | 5,479,214           | 310,998                | 186,244                          | (5,168,216)        |
| Operating Transfers Out                                      | (6,194,697)         | (6,306,475)         | (883,569)              | (111,778)                        | 5,422,906          |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>(681,705)</u>    | <u>(550,365)</u>    | <u>(551,461)</u>       | <u>131,340</u>                   | <u>(1,096)</u>     |
| <b>Net Change in Fund Balance</b>                            | <u>(2,025,791)</u>  | <u>(1,802,592)</u>  | <u>(1,722,083)</u>     | <u>223,199</u>                   | <u>80,509</u>      |
| <b>Fund Balances:</b>  |                     |                     |                        |                                  |                    |
| July 1, 2013   | 5,010,000           | 5,842,081           | 5,842,080              | 832,081                          | (1)                |
| Increase (decrease) in reserve for inventory                 | -                   | 25,693              | 25,785                 | 25,693                           | (92)               |
| <b>June 30, 2014</b>   | <u>\$ 2,984,209</u> | <u>\$ 4,065,182</u> | <u>\$ 4,145,782</u>    | <u>\$ 1,080,973</u>              | <u>\$ 80,416</u>   |

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE 1b**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>       | <u>Variances</u>           |                        |
|--|-------------------------|------------------|---------------------|----------------------------|------------------------|
|  |                         |                  |                     | <u>Positive (Negative)</u> |                        |
|  | <u>Original</u>         | <u>Final</u>     | <u>(GAAP Basis)</u> | <u>Original to Final</u>   | <u>Final to Actual</u> |
| <b>Revenues:</b>   |                         |                  |                     |                            |                        |
| Local Sources  | \$ -                    | \$ 9,900         | \$ 9,900            | \$ 9,900                   | \$ -                   |
| Federal Sources  | 2,607,985               | 2,895,193        | 2,895,193           | 287,208                    | -                      |
| <b>Total Revenues</b>                                    | <u>2,607,985</u>        | <u>2,905,093</u> | <u>2,905,093</u>    | <u>297,108</u>             | <u>-</u>               |
| <b>Expenditures:</b>                                     |                         |                  |                     |                            |                        |
| Instruction  | 1,025,358               | 1,208,447        | 1,209,452           | (183,089)                  | (1,005)                |
| Support Services   | 1,288,925               | 1,472,467        | 1,472,467           | (183,542)                  | -                      |
| Noninstructional Services                                | 193,702                 | 151,766          | 151,766             | 41,936                     | -                      |
| Debt Service   | -                       | -                | -                   | -                          | -                      |
| <b>Total Expenditures</b>                                | <u>2,507,985</u>        | <u>2,832,680</u> | <u>2,833,685</u>    | <u>(324,695)</u>           | <u>(1,005)</u>         |
| <b>Excess (Deficiency) of Revenues over Expenditures</b> | <u>100,000</u>          | <u>72,413</u>    | <u>71,408</u>       | <u>(27,587)</u>            | <u>(1,005)</u>         |
| <b>Other Financing Sources (Uses):</b>                   |                         |                  |                     |                            |                        |
| Insurance Recovery                                       | -                       | 29,110           | 29,110              | 29,110                     | -                      |
| Operating Transfers In                                   | -                       | 8,477            | 9,482               | 8,477                      | 1,005                  |
| Operating Transfers Out                                  | (100,000)               | (110,000)        | (110,000)           | (10,000)                   | -                      |
| <b>Total Other Financing Sources (Uses)</b>              | <u>(100,000)</u>        | <u>(72,413)</u>  | <u>(71,408)</u>     | <u>27,587</u>              | <u>1,005</u>           |
| <b>Net Change in Fund Balance</b>                        | -                       | -                | -                   | -                          | -                      |
| <b>Fund Balances:</b>                                    |                         |                  |                     |                            |                        |
| July 1, 2013   | -                       | -                | -                   | -                          | -                      |
| June 30, 2014  | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ -</u>         | <u>\$ -</u>                | <u>\$ -</u>            |

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE IDEA PART B FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

SCHEDULE 1c

|  | Budgeted Amounts |                  | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|------------------|------------------------|----------------------------------|--------------------|
|  | Original         | Final            |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |                  |                        |                                  |                    |
| <b>Revenues:</b>   |                  |                  |                        |                                  |                    |
| Local Sources  | \$ -             | \$ -             | \$ -                   | \$ -                             | \$ -               |
| Federal Sources  | 1,173,926        | 1,135,639        | 1,135,639              | (38,287)                         | -                  |
| <b>Total Revenues</b>  | <u>1,173,926</u> | <u>1,135,639</u> | <u>1,135,639</u>       | <u>(38,287)</u>                  | <u>-</u>           |
| <b>Expenditures:</b>   |                  |                  |                        |                                  |                    |
| Instruction  | 591,813          | 598,360          | 598,360                | (6,547)                          | -                  |
| Support Services   | 542,113          | 497,279          | 497,279                | 44,834                           | -                  |
| Noninstructional Services                                    | -                | -                | -                      | -                                | -                  |
| Debt Service   | -                | -                | -                      | -                                | -                  |
| <b>Total Expenditures</b>                                    | <u>1,133,926</u> | <u>1,095,639</u> | <u>1,095,639</u>       | <u>38,287</u>                    | <u>-</u>           |
| <b>Excess (Deficiency) of Revenues<br/>over Expenditures</b> | <u>40,000</u>    | <u>40,000</u>    | <u>40,000</u>          | <u>-</u>                         | <u>-</u>           |
| <b>Other Financing Sources (Uses):</b>                       |                  |                  |                        |                                  |                    |
| Operating Transfers Out                                      | (40,000)         | (40,000)         | (40,000)               | -                                | -                  |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>(40,000)</u>  | <u>(40,000)</u>  | <u>(40,000)</u>        | <u>-</u>                         | <u>-</u>           |
| <b>Net Change in Fund Balance</b>                            | -                | -                | -                      | -                                | -                  |
| <b>Fund Balances:</b>  |                  |                  |                        |                                  |                    |
| July 1, 2013   | -                | -                | -                      | -                                | -                  |
| June 30, 2014  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>            | <u>\$ -</u>                      | <u>\$ -</u>        |

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

HATTIESBURG SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE 2**

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title         | Catalog of<br>Federal Domestic<br>Assistance Number | Federal<br>Expenditures |
|--|---|-------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                       |   |                         |
| Passed-Through Mississippi Dept. of Education:                     |   |                         |
| Child Nutrition Cluster:   |   |                         |
| School Breakfast Program   | 10.553  | 1,006,382               |
| National School Lunch Program                                      | 10.555  | 2,145,447               |
| Summer Food Service Program for Children                           | 10.559  | 29,374                  |
| Total Child Nutrition Cluster                                      |   | <u>3,181,203</u>        |
| Fresh fruits and vegetables grant                                  | 10.582  | 110,418                 |
| <b>Total U.S. Dept. of Agriculture</b>                             |   | <u><u>3,291,621</u></u> |
| <b><u>FEDERAL COMMUNICATIONS COMMISSION</u></b>                    |   |                         |
| Administered through the Universal Service Administrative Company: |   |                         |
| The schools and libraries program of the universal service fund    | 32.xxx  | 317,762                 |
| <b>Total Federal Communications Commission</b>                     |   | <u><u>317,762</u></u>   |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                         |   |                         |
| Passed-Through Mississippi Dept. of Education:                     |   |                         |
| Career and Technical Education-Basic Grants to States              | 84.048  | 88,633                  |
| English Language Acquisition Grants                                | 84.365  | 25,724                  |
| Improving Teacher Quality - State Grants                           | 84.367  | 575,194                 |
| Title I Grants to Local Educational Agencies                       | 84.010  | <u>3,045,687</u>        |
| Special Education Cluster:   |   |                         |
| Special Education - Grants to States                               | 84.027  | 1,174,899               |
| Special Education - Preschool Grants                               | 84.173  | 34,663                  |
| Total Special Education Cluster                                    |   | <u>1,209,562</u>        |
| Adult Education - Basic Grants to States                           | 84.002  | 148,798                 |
| Education for Homeless Children and Youth                          | 84.196  | 15,927                  |
| Total Passed-Through MDE   |   | <u>5,109,525</u>        |
| <b>Total U.S. Department of Education</b>                          |   | <u><u>5,109,525</u></u> |

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE 2**

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title | Catalog of<br>Federal Domestic<br>Assistance Number | Federal<br>Expenditures    |
|--|---|----------------------------|
| <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b> |   |                            |
| Passed-Through Mississippi Dept. of Education:             |   |                            |
| Medical Assistance Program                                 | 93.778  | <u>15,059</u>              |
| Total Passed-Through MDE                                   |   | <u>15,059</u>              |
| <b>Total U.S. Department of Health and Human Services</b>  |   | <u><u>15,059</u></u>       |
| <b><u>U.S. DEPARTMENT OF DEFENSE</u></b>                   |   |                            |
| Direct Program:  |   |                            |
| Reserve officers' training corp                            | 12.xxx  | <u>64,569</u>              |
| <b>Total U.S. Department of Defense</b>                    |   | <u><u>64,569</u></u>       |
| Total for all Federal Awards                               |   | <u><u>\$ 8,798,536</u></u> |

**NOTES TO THE SCHEDULE:**

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Expenditures</u>          | <u>Total</u>         | <u>Instruction</u>   | <u>General<br/>Administrative</u> | <u>School<br/>Administrative</u> | <u>Other</u>         |
|------------------------------|----------------------|----------------------|-----------------------------------|----------------------------------|----------------------|
| Salaries and fringe benefits | \$ 35,176,704        | \$ 22,014,389        | \$ 1,380,713                      | \$ 2,314,999                     | \$ 9,466,603         |
| Other                        | <u>\$ 18,811,999</u> | <u>4,003,321</u>     | <u>803,146</u>                    | <u>234,743</u>                   | <u>13,770,789</u>    |
| Total                        | <u>\$ 53,988,703</u> | <u>\$ 26,017,710</u> | <u>\$ 2,183,859</u>               | <u>\$ 2,549,742</u>              | <u>\$ 23,237,392</u> |

Total number of students \* 4,533

Cost per student \$ 11,910 \$ 5,740 \$ 482 \$ 562 \$ 5,126

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

**Instruction** - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

**General Administrative** - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

**School Administrative** - includes expenditures for the following function: Support Services - School Administration.

**Other** - includes all expenditure functions not included in Instruction or Administrative Categories.

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

OTHER INFORMATION

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND**  
**LAST FOUR YEARS**

|  | UNAUDITED           |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | <u>2014</u>         | <u>2013**</u>       | <u>2012**</u>       | <u>2011**</u>       |
| <b>Revenues:</b>                             |                     |                     |                     |                     |
| Local Sources                                | \$ 16,722,866       | \$ 16,742,055       | \$ 16,597,525       | \$ 16,453,694       |
| State Sources                                | 17,598,969          | 17,799,329          | 17,411,992          | 16,619,153          |
| Federal Sources                              | <u>332,821</u>      | <u>338,588</u>      | <u>696,169</u>      | <u>309,378</u>      |
| <b>Total Revenues</b>                        | <u>34,654,656</u>   | <u>34,879,972</u>   | <u>34,705,686</u>   | <u>33,382,225</u>   |
| <b>Expenditures</b>                          |                     |                     |                     |                     |
| Instruction                                  | 20,164,378          | 20,206,182          | 19,638,717          | 18,201,775          |
| Support Services                             | 15,069,210          | 14,424,037          | 14,808,686          | 13,738,370          |
| Noninstructional Services                    | 132,102             | 189,272             | 184,791             | 151,446             |
| Sixteenth Section                            | -                   | -                   | -                   | -                   |
| Facilities Acquisition and Construction      | 51,642              | 17,000              |                     |                     |
| Debt Service:                                |                     |                     |                     |                     |
| Principal                                    | 387,448             | 108,869             | 295,435             | 124,513             |
| Interest                                     | <u>20,498</u>       | <u>229,583</u>      | <u>34,998</u>       | <u>25,774</u>       |
| <b>Total Expenditures</b>                    | <u>35,825,278</u>   | <u>35,174,943</u>   | <u>34,962,627</u>   | <u>32,241,878</u>   |
| <b>Excess (Deficiency) of Revenues</b>       |                     |                     |                     |                     |
| <b>Over (Under) Expenditures</b>             | <u>(1,170,622)</u>  | <u>(294,971)</u>    | <u>(256,941)</u>    | <u>1,140,347</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                     |                     |                     |                     |
| Bonds and Notes Issued                       | -                   | 200,000             | -                   | 550,000             |
| Insurance Recovery                           | 21,110              | 5,277               | 54,692              | -                   |
| Proceeds of shortfall note                   | -                   | -                   | 60,000              | -                   |
| Operating Transfers In                       | 310,998             | 368,200             | 522,324             | 490,072             |
| Operating Transfers Out                      | <u>(883,569)</u>    | <u>(978,583)</u>    | <u>(669,854)</u>    | <u>(831,494)</u>    |
| <b>Total Other Financing Sources (Uses)</b>  | <u>(551,461)</u>    | <u>(405,106)</u>    | <u>(32,838)</u>     | <u>208,578</u>      |
| <b>NET CHANGE IN FUND BALANCES</b>           | <u>(1,722,083)</u>  | <u>(700,077)</u>    | <u>(289,779)</u>    | <u>1,348,925</u>    |
| <b>FUND BALANCES:</b>                        |                     |                     |                     |                     |
| Beginning of period, as originally reported  | 5,842,080           | 6,533,014           | 6,814,468           | 5,410,449           |
| Prior period adjustment                      | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>59,919</u>       |
| Beginning of period, as restated             | <u>5,842,080</u>    | <u>6,533,014</u>    | <u>6,814,468</u>    | <u>5,470,368</u>    |
| Increase (Decrease) in Reserve for Inventory | <u>25,785</u>       | <u>9,143</u>        | <u>8,325</u>        | <u>(4,825)</u>      |
| End of Period                                | <u>\$ 4,145,782</u> | <u>\$ 5,842,080</u> | <u>\$ 6,533,014</u> | <u>\$ 6,814,468</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**

|  | <u>2014</u>          | <u>2013**</u>        | UNAUDITED<br><u>2012**</u> | <u>2011**</u>        |
|--|----------------------|----------------------|----------------------------|----------------------|
| <b>Revenues:</b>                                     |                      |                      |                            |                      |
| Local Sources  | \$ 19,398,212        | \$ 18,924,478        | \$ 18,459,389              | \$ 18,957,441        |
| State Sources  | 20,094,099           | 19,771,423           | 19,335,474                 | 18,489,709           |
| Federal Sources                                      | 8,874,241            | 9,959,558            | 11,538,954                 | 12,215,474           |
| Sixteenth Section Sources                            | 88,334               | 79,898               | 49,041                     | 173,114              |
| <b>Total Revenues</b>                                | <u>48,454,886</u>    | <u>48,735,357</u>    | <u>49,382,858</u>          | <u>49,835,738</u>    |
| <b>Expenditures</b>                                  |                      |                      |                            |                      |
| Instruction  | 26,017,708           | 25,943,731           | 25,668,806                 | 25,283,850           |
| Support Services                                     | 19,406,689           | 19,525,630           | 19,409,643                 | 18,472,178           |
| Noninstructional Services                            | 3,650,895            | 3,756,254            | 3,488,175                  | 3,084,999            |
| Sixteenth Section                                    | 12,230               | 9,014                | 19,614                     | 36,246               |
| Facilities Acquisition & Construction                | 1,666,838            | 436,490              | 692,963                    | 2,199,271            |
| Debt Service:  |                      |                      |                            |                      |
| Principal  | 2,812,449            | 2,470,580            | 2,194,435                  | 2,803,733            |
| Interest   | 421,894              | 547,280              | 547,518                    | 727,089              |
| Other  | -                    | 6,335                | 36,085                     | 103,440              |
| <b>Total Expenditures</b>                            | <u>53,988,703</u>    | <u>52,695,314</u>    | <u>52,057,239</u>          | <u>52,710,806</u>    |
| <b>Excess (Deficiency) of Revenues</b>               |                      |                      |                            |                      |
| <b>Over (Under) Expenditures</b>                     | <u>(5,533,817)</u>   | <u>(3,959,957)</u>   | <u>(2,674,381)</u>         | <u>(2,875,068)</u>   |
| <b>Other Financing Sources (Uses)</b>                |                      |                      |                            |                      |
| Bonds and Notes Issued                               | -                    | 200,000              | -                          | 4,550,000            |
| Insurance Recovery                                   | 2,197,037            | 4,706,575            | 54,692                     | -                    |
| Proceeds of 3 mill note                              | -                    | -                    | 2,700,000                  | -                    |
| Proceeds of shortfall notes                          | -                    | -                    | 60,000                     | -                    |
| Proceeds of refunding bonds                          | 3,375,000            | -                    | -                          | 6,355,000            |
| Premiums on bonds and refunding bonds issued         | 175,416              | -                    | -                          | 72,792               |
| Payments to QSCB Debt escrow agent                   | (3,692,082)          | (400,000)            | -                          | -                    |
| Payment to escrow agent                              | -                    | 400,000              | 400,000                    | 200,000              |
| Operating Transfers In                               | 1,340,893            | 1,456,710            | 1,198,426                  | 1,544,751            |
| Payments to refunded bond escrow agent               | -                    | -                    | -                          | (5,534,780)          |
| Operating Transfers Out                              | (1,340,893)          | (1,456,710)          | (1,198,426)                | (1,544,751)          |
| Transfer to qualified construction bond Escrow Agent | -                    | -                    | (400,000)                  | (200,000)            |
| Other Financing Uses                                 | -                    | -                    | -                          | (15)                 |
| <b>Total Other Financing Sources (Uses)</b>          | <u>2,055,371</u>     | <u>4,906,575</u>     | <u>2,814,692</u>           | <u>5,442,997</u>     |
| <b>Special Item</b>                                  | -                    | -                    | (199,015)                  | -                    |
| <b>Net Change in Fund Balance</b>                    | <u>(3,478,446)</u>   | <u>946,618</u>       | <u>(58,704)</u>            | <u>2,567,929</u>     |
| <b>Fund Balances:</b>                                |                      |                      |                            |                      |
| Beginning of period, as originally reported          | 16,388,471           | 15,454,522           | 15,503,658                 | 12,881,325           |
| Prior period adjustment                              | -                    | -                    | 15,477                     | 68,816               |
| Beginning of period, as restated                     | <u>16,388,471</u>    | <u>15,454,522</u>    | <u>15,519,135</u>          | <u>12,950,141</u>    |
| Increase (Decrease) in Reserve for Inventory         | <u>34,403</u>        | <u>(12,669)</u>      | <u>(5,909)</u>             | <u>(14,382)</u>      |
| End of Period  | <u>\$ 12,944,428</u> | <u>\$ 16,388,471</u> | <u>\$ 15,454,522</u>       | <u>\$ 15,503,688</u> |

\*\* Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



**HOLT & ASSOCIATES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA  
Julie M. Uher, CPA  
Kari M. Blackledge, CPA

H. I. Holt, CPA  
Founder (1915-1997)

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hattiesburg Public School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hattiesburg Public School District's basic financial statements, and have issued our report thereon dated November 14, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2004-001)

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39441  
PHONE 601-649-3000 | FAX 601-649-3050  
WWW.HOLTACCOUNTING.COM

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hattiesburg Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance or other matters that we reported to the management of the school district in a separate letter dated November 14, 2014, which is included in this report.

### **Hattiesburg Public School District's Response to Findings**

The school district's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. The school district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Holt & Associates, PLLC*

November 14, 2014



**HOLT & ASSOCIATES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA  
Julie M. Uher, CPA  
Kari M. Blackledge, CPA

H. I. Holt, CPA  
Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Hattiesburg Public School District

**Report on Compliance for Each Major Federal Program**

We have audited Hattiesburg Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hattiesburg Public School District's major federal programs for the year ended June 30, 2014. Hattiesburg Public 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Hattiesburg Public School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Hattiesburg Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hattiesburg Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hattiesburg Public School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Holt & Associates, PLLC*

Laurel, MS

November 14, 2014

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



**HOLT & ASSOCIATES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA  
Julie M. Uher, CPA  
Kari M. Blackledge, CPA

H. I. Holt, CPA  
Founder (1915-1997)

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, 2014, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated November 14, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district did not report any 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.

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39441  
PHONE 601-649-3000 | FAX 601-649-3050  
WWW.HOLTACCOUNTING.COM

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

Finding #1

Code Section 37-59-43, Miss. Code Ann. (1972) states that interest earned in excess of \$100 per fund is credit to the investing fund. During our audit, we found that the school district did not allocate any interest to any funds.

Recommendation

We recommend that the school district implement a procedure to ensure all proper steps are taken to ensure that interest earned in excess of \$100 per fund is credited to the investing fund.

School District's Response

Effective immediately, the district will implement a procedure to ensure all proper steps are taken to properly credit interest earned in excess of \$100 to each fund in the pooled general fund account.

Finding #2

Code Section 37-57-107, Miss. Code Ann. (1972) states the calculation of advalorem escrow. The school district did not calculate the advalorem escrow correctly.

Recommendation

We recommend that in future escrow calculations, the school district follows the calculation in Code Section Code Section 37-57-107, Miss. Code. Ann. (1972).

School District's Response

The district will ensure that all future escrow calculations are done in compliance with Code Section 37-57-107, Miss. Code. Ann. (1972).

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

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

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

*Holt & Associates, PLLC*

November 14, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HATTIESBURG PUBLIC SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |                |
|----|---|----------------|
| 1. | Type of auditor's report issued on the financial statements:                                | Unmodified     |
| 2. | Noncompliance material to financial statements noted?                                       | No.            |
| 3. | Internal control over financial reporting:  |                |
| a. | Material weakness(es) identified?   | Yes.           |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported. |

Federal Awards:

- |    |  |                |
|----|--|----------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:  | Unmodified     |
| 5. | Internal control over major programs:  |                |
| a. | Material weakness(es) identified?  | No.            |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)?                            | None reported. |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No.            |
| 7. | Federal programs identified as major programs:   |                |

CFDA Numbers      Name of Federal Program or Cluster

Special Education Cluster (IDEA):

- |    |  |   |           |
|----|--|---|-----------|
|    | 84.027   | Special Education_Grants to States                      |           |
|    | 84.173   | Special Education_Preschool Grants                      |           |
|    | 84.367   | Improving Teacher Quality State Grants                  |           |
|    | 84.002   | Adult Education- Basic Grants to States                 |           |
|    | 32.xxx   | The schools and libraries of the universal service fund |           |
| 8. | Dollar threshold used to distinguish between type A and type B programs: |   | \$300,000 |
| 9. | Auditee qualified as low-risk auditee?                                   |   | Yes.      |

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

Section II: Financial Statement Findings

Material Weakness:

Finding 2014-001:

During testing of revenues, we discovered that there were no internal control procedures in place to record the discount on invoices for E-rate revenues.

Recommendation

The school district should implement procedures to account for E-rate revenues appropriately.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.



Financial & Compliance Audit Division

As required by Section \_\_\_\_\_, 315© 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, 2014:

Finding

2014-001

Corrective Action Plan Details

- a. Name of contact person responsible for corrective action:  
Terry Stennis, Chief Financial Officer
- b. Corrective Action Planned:  
The Business Office will implement procedures to ensure that all discounts on invoices for E-Rate credit are properly recorded as E-Rate revenue in the general ledger.
- c. Anticipated Completion Date:  
Immediately