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HATTIESBURG PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015

HATTIESBURG PUBLIC SCHOOL DISTRICT

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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, 2015, 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, 2015, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-12, 48-50, 51, and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 17, 2015 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 17, 2015

HATTIESBURG PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 2015 decreased by \$53,087,762, including a prior period adjustment of (\$54,233,753), which represents a 227.49% decrease from fiscal year 2014. Total net position for 2014 increased \$68,806, which represents a .30% increase from fiscal year 2013.
- General revenues amounted to \$40,118,219 and \$40,007,415, or 78% and 79% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,587,821, or 22% of total revenues for 2015, and \$10,644,508, or 21 % of total revenues for 2014.
- The District had \$50,560,049 and \$50,583,117 in expenses for fiscal years 2015 and 2014; only \$11,587,821 for 2015 and \$10,644,508 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$40,118,219 for 2015 and \$40,007,415 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$35,610,275 in revenues and \$38,306,293 in expenditures for 2015, and \$34,654,656 in revenues and \$35,825,278 in expenditures in 2014. The General Fund's fund balance decreased by \$3,376,986 from 2014 to 2015, and decreased by \$1,696,298 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$2,764,864 for 2015 and increased by \$749,049 for 2014. The increase for 2015 was due to the addition of construction in progress coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$2,397,587 for 2015 and decreased by \$2,848,134 for 2014. This decrease was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$39,157 for 2015 and decreased by \$10,686 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to 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, 2015

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, 2015

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, the Schedule of District's Proportion Share of Net Pension Liability, and Schedule of District's Contribution 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. Liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$29,751,158 as of June 30, 2015.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

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

**Table 1
Condensed Statement of Net Position**

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 5,976,302	\$ 8,676,028	-31.12 %
Restricted assets	4,875,515	4,665,522	4.50 %
Capital assets, net	<u>32,504,245</u>	<u>29,739,381</u>	9.30 %
Total assets	<u>43,356,062</u>	<u>43,080,931</u>	0.64 %
 Deferred outflows of resources	 <u>5,147,699</u>	 <u>77,803</u>	 6516.32 %
Current liabilities	2,952,026	528,640	458.42 %
Long-term debt outstanding	16,705,367	19,102,953	-12.55 %
Net pension liability	<u>51,058,006</u>	<u>-</u>	N/A %
Total liabilities	<u>70,715,399</u>	<u>19,631,593</u>	260.21 %
 Deferred inflows of resources	 <u>7,539,520</u>	 <u>190,537</u>	 3856.98 %
 Net position:			
Net investment in capital assets	21,380,148	16,773,260	27.47 %
Restricted	7,406,644	8,921,886	-16.98 %
Unrestricted	<u>(58,537,950)</u>	<u>(2,358,542)</u>	-2381.95 %
Total net position	<u>\$ (29,751,158)</u>	<u>\$ 23,336,604</u>	-227.49 %

Additional Information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (58,537,950)
Less unrestricted deficit in net postion resulting from recognition of the net pension liability	<u>(53,356,086)</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ (5,181,864)</u>

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 \$2,764,864.
- The principal retirement of \$2,358,430 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$51,706,040 and \$50,651,923, respectively. The total cost of all programs and services was \$50,560,049 for 2015 and \$50,583,117 for 2014.

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

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

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 514,286	\$ 392,475	31.04 %
Operating grants and contributions	11,073,535	10,252,033	8.01 %
General revenues:			
Property taxes	18,820,203	19,110,157	(1.52) %
Grants and contributions not restricted	19,102,334	18,421,579	3.70 %
Investment earnings	45,870	47,612	(3.66) %
Sixteenth section sources	73,633	80,970	(9.06) %
Other	2,076,179	2,347,097	(11.54) %
Total revenues	51,706,040	50,651,923	2.08 %
Expenses:			
Instruction	23,898,256	26,007,667	(8.11) %
Support services	18,703,225	20,455,829	(8.57) %
Non-instructional	3,986,683	3,484,499	14.41 %
Sixteenth section	13,499	12,230	10.38 %
Pension expense	3,452,698	-	N/A %
Interest on long-term liabilities	505,688	622,892	(18.82) %
Total expenses	50,560,049	50,583,117	(0.05) %
Increase (Decrease) in net position	1,145,991	68,806	1,565.54 %
Net Position, July 1, as previously reported	23,336,604	23,267,798	0.30 %
Prior Period Adjustment	(54,233,753)	-	N/A
Net Position, July 1, as restated	(30,897,149)	-	N/A
Net Position, June 30	\$ (29,751,158)	\$ 23,336,604	(227.49) %

Governmental activities

The following table presents the cost of six 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.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 23,898,256	\$ 26,007,667	(8.11) %
Support services	18,703,225	20,455,829	(8.57) %
Non-instructional	3,986,683	3,484,499	14.41 %
Sixteenth section	13,499	12,230	10.38 %
Pension expense	3,452,698	-	N/A %
Interest on long-term liabilities	505,688	622,892	(18.82) %
Total expenses	<u>\$ 50,560,049</u>	<u>\$ 50,583,117</u>	(0.05) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (19,145,255)	\$ (21,991,600)	(12.94) %
Support services	(15,755,938)	(17,302,587)	(8.94) %
Non-instructional	(99,150)	(9,300)	966.13 %
Sixteenth section	(13,499)	(12,230)	10.38 %
Pension expense	(3,452,698)	-	N/A %
Interest on long-term liabilities	(505,688)	(622,892)	(18.82) %
Total net (expense) revenue	<u>\$ (38,972,228)</u>	<u>\$ (39,938,609)</u>	(2.42) %

- Net cost of governmental activities (\$38,972,228 for 2015 and \$39,938,609 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$18,820,203 for 2015 and \$19,110,157 for 2014) and state and federal revenues (\$19,102,334 for 2015 and \$18,421,579 for 2014). In addition, there was \$73,633 and \$80,970 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$45,870 for 2015 and \$47,612 for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$8,011,292, decrease of \$4,933,136, which includes a decrease in reserve for inventory of \$10,956. \$352,668 or 4.4% 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 \$7,658,624 or 95.6% 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 \$3,376,986. The fund balance of Other Governmental Funds showed a decrease in the amount of \$539,360 which includes an increase in reserve for inventory of \$6,846, due primarily to normal operations of the school district. The increase (decrease) in the fund balances for the other major funds were as follows:

Title I Fund	no increase or decrease
Title II Fund	no increase or decrease
Tornado Fund	(\$1,016,792)
16th Section Principal Fund	(\$1)

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, 2015, the District's total capital assets were \$56,011,504, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$3,562,827 from 2014. Total accumulated depreciation as of June 30, 2015, was \$23,507,259, and total depreciation expense for the year was \$1,196,275, resulting in total net capital assets of \$32,504,245.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 522,861	\$ 522,938	(0.01) %
Construction in Progress	2,376,401	1,462,613	62.48 %
Buildings	24,340,092	22,303,562	9.13 %
Building improvements	1,277,496	1,397,680	(8.60) %
Improvements other than buildings	2,370,591	2,498,411	(5.12) %
Mobile equipment	1,086,588	1,027,030	5.80 %
Furniture and equipment	431,588	383,517	12.53 %
Leased property under capital leases	98,628	143,630	(31.33) %
Total	<u>\$ 32,504,245</u>	<u>\$ 29,739,381</u>	9.30 %

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Debt Administration. At June 30, 2015, the District had \$16,835,345 in outstanding long-term debt, of which \$2,455,531 is due within one year. The liability for compensated absences decreased \$39,157 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 5,105,000	\$ 6,290,000	(18.84) %
Limited obligation bonds payable	2,589,000	3,261,000	(20.61) %
Three mill notes payable	2,675,000	3,000,000	(10.83) %
Shortfall notes payable	68,110	155,358	(56.16) %
Obligations under capital lease	31,006	120,188	(74.20) %
Qualified school construction bonds payable	6,000,000	6,000,000	0.00 %
Compensated absences payable	237,250	276,407	(14.17) %
Total	<u>\$ 16,705,366</u>	<u>\$ 19,102,953</u>	(12.55) %

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, 2015

Exhibit A

	Governmental Activities
Assets	
Cash	\$ 2,197,732
Due from other governments	3,534,652
Other receivables, net	6,245
Inventories	177,037
Prepaid items	60,636
Restricted assets	4,875,515
Capital assets, non-depreciable:	
Land	522,861
Construction in progress	2,376,401
Capital assets, net of accumulated depreciation:	
Buildings	24,340,092
Building improvements	1,277,496
Improvements other than buildings	2,370,591
Mobile equipment	1,086,588
Furniture and equipment	431,588
Leased property under capital leases	98,628
Total Assets	43,356,062
Deferred Outflows of Resources	
Deferred outflow related to charges	55,808
Deferred outflows related to pensions	5,091,891
Total deferred inflows of resources	5,147,699
Liabilities	
Bank overdraft	2,312,691
Accounts payable and accrued liabilities	251,066
Due to other governments	2,200
Interest payable on long-term liabilities	111,501
Retainage payable	274,568
Long-term liabilities, due within one year:	
Capital related liabilities	1,871,156
Non-capital related liabilities	541,960
Long-term liabilities, due beyond one year:	
Capital related liabilities	9,159,200
Non-capital related liabilities	5,133,051
Net pension liability	51,058,006
Total Liabilities	70,715,399
Deferred Inflows of Resources	
Deferred inflows related to bond premiums	149,549
Deferred inflows related to pensions	7,389,971
Total deferred inflows of resources	7,539,520

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Statement of Net Position
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	21,380,148
Restricted for:	
Expendable:	
School-based activities	1,242,474
Debt service	3,138,739
Unemployment benefits	117,844
Non-expendable:	
Sixteenth section	2,907,587
Unrestricted	<u>(58,537,950)</u>
Total Net Position	<u>\$ (29,751,158)</u>

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, 2015**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 23,898,256	\$ 293,328	\$ 4,459,673	\$ -	\$ (19,145,255)
Support services	18,703,225	-	2,947,287	-	(15,755,938)
Non-instructional	3,986,683	220,958	3,666,575	-	(99,150)
Sixteenth section	13,499	-	-	-	(13,499)
Pension expense	3,452,698	-	-	-	(3,452,698)
Interest on long-term liabilities	505,688	-	-	-	(505,688)
Total Governmental Activities	\$ 50,560,049	\$ 514,286	\$ 11,073,535	\$ -	\$ (38,972,228)

General Revenues:

Taxes:

General purpose levies

16,472,018

Debt purpose levies

2,348,185

Unrestricted grants and contributions:

State

18,662,326

Federal

440,008

Unrestricted investment earnings

45,870

Sixteenth section sources

73,633

Other

2,076,179

Total General Revenues

40,118,219

Change in Net Position

1,145,991

Net Position - Beginning, as previously reported

23,336,604

Prior Period Adjustments

(54,233,753)

Net Position - Beginning, as restated

(30,897,149)

Net Position - Ending

\$ (29,751,158)

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2015

	Major Funds			
	General Fund	Title I Fund	Title II Fund	Tornado Fund
Assets				
Cash and cash equivalents	\$ -	\$ 111,194	\$ -	\$ -
Cash with fiscal agents	-	-	-	-
Investments	-	-	-	-
Due from other governments	1,086,609	767,932	136,759	-
Other receivables, net	-	-	-	680,000
Due from other funds	2,165,507	44,292	-	-
Advance to other funds	-	-	-	-
Inventories	100,218	-	-	-
Prepaid items	60,636	-	-	-
Total assets	\$ 3,412,970	\$ 923,418	\$ 136,759	\$ 680,000
Liabilities and Fund Balances				
Liabilities:				
Bank overdraft	\$ 2,312,691	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	108,783	3,336	40,600	62,960
Due to other funds	2,200	920,082	96,159	447,040
Advances from other funds	220,500	-	-	-
Retainage payable	-	-	-	274,568
Total Liabilities	2,644,174	923,418	136,759	784,568
Fund Balances:				
Nonspendable:				
Inventory	100,218	-	-	-
Permanent fund principal	-	-	-	-
Advances	-	-	-	-
Prepaid items	60,636	-	-	-
Restricted:				
Debt service	-	-	-	-
Capital projects	200,000	-	-	(104,568)
Grant activities	-	-	-	-
Unemployment benefits	-	-	-	-
Committed:				
Board designated activities	40,066	-	-	-
Assigned:				
Student activities	15,208	-	-	-
Unassigned	352,668	-	-	-
Total Fund Balances	768,796	-	-	(104,568)
Total Liabilities, deferred inflows of resources and Fund Balances	\$ 3,412,970	\$ 923,418	\$ 136,759	\$ 680,000

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Exhibit C

Major Funds		
16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 696,109	\$ 2,086,538	\$ 2,893,841
-	1,808,080	1,808,080
2,020,112	351,214	2,371,326
-	863,352	2,854,652
-	-	680,000
-	56,861	2,266,660
220,500	-	220,500
-	76,819	177,037
-	-	60,636
\$ 2,936,721	\$ 5,242,864	\$ 13,332,732
\$ -	\$ -	\$ 2,312,691
-	35,387	251,066
29,134	768,000	2,262,615
-	-	220,500
-	-	274,568
29,134	803,387	5,321,440
-	76,819	177,037
2,687,087	-	2,687,087
220,500	-	220,500
-	-	60,636
-	3,250,240	3,250,240
-	29,839	125,271
-	964,735	964,735
-	117,844	117,844
-	-	40,066
-	-	15,208
-	-	352,668
2,907,587	4,439,477	8,011,292
\$ 2,936,721	\$ 5,242,864	\$ 13,332,732

HATTIESBURG PUBLICSCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Exhibit C-1

Total fund balances for governmental funds \$ 8,011,292

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

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

Land	\$	522,861	
Construction in progress		2,376,401	
Buildings		38,913,073	
Building improvements		1,637,367	
Improvements other than buildings		4,130,980	
Mobile equipment		2,453,916	
Furniture and equipment		4,990,607	
Leased property under capital leases		986,299	
Accumulated depreciation		<u>(23,507,259)</u>	32,504,245

- Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(51,058,006)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	5,091,891	
Deferred inflows of resources related to pensions	<u>(7,389,971)</u>	(53,356,086)

- 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	(5,105,000)	
Limited obligation bonds	(2,589,000)	
Three mill notes payable	(2,675,000)	
Shortfall notes payable	(68,110)	
Capital lease obligations	(31,006)	
Qualified school construction bonds	(6,000,000)	
Accrued interest payable	(111,501)	
Bond premiums	(149,549)	
Deferred charges	55,808	
Compensated absences	<u>(237,251)</u>	(16,910,609)

Net Position of governmental activities

\$ (29,751,158)

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2015

	Major Funds		
	General Fund	Title I Fund	Title II Fund
Revenues:			
Local sources	\$ 16,729,617	\$ 4,289	\$ -
State sources	18,367,117	-	-
Federal sources	440,008	3,290,729	447,859
Sixteenth section sources	73,533	-	-
Total Revenues	35,610,275	3,295,018	447,859
Expenditures:			
Instruction	21,812,451	1,652,415	27,208
Support services	16,158,408	1,401,511	407,651
Noninstructional services	132,218	98,092	-
Sixteenth section	13,499	-	-
Facilities acquisition and construction	-	-	-
Debt service:			
Principal	176,429	-	-
Interest	13,288	-	-
Other	-	-	-
Total Expenditures	38,306,293	3,152,018	434,859
Excess (Deficiency) of Revenues over (under) Expenditures	(2,696,018)	143,000	13,000
Other Financing Sources (Uses):			
Insurance recovery	-	-	-
Payments held by Escrow Agent	-	-	-
Payments to QSCB Debt Escrow Agent	-	-	-
Operating transfers in	552,759		
Subsidy Payments on QSCB	-	-	-
Operating transfers out	(1,215,925)	(143,000)	(13,000)
Total Other Financing Sources (Uses)	(663,166)	(143,000)	(13,000)
Net Change in Fund Balances	(3,359,184)	-	-
Fund Balances:			
July 1, 2014	4,145,782	-	-
Increase (Decrease) in reserve for inventory	(17,802)	-	-
June 30, 2015	\$ 768,796	\$ -	\$ -

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Exhibit D

Major Funds			
Tornado Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,674,364	\$ 19,408,270
-	-	2,603,000	20,970,117
-	-	5,321,542	9,500,138
-	29,133	-	102,666
-	29,133	10,598,906	49,981,191
88,642	-	2,975,300	26,556,016
239,051	-	1,164,797	19,371,418
-	-	3,951,915	4,182,225
-	-	-	13,499
2,887,371	-	714,564	3,601,935
-	-	2,182,000	2,358,429
-	-	519,093	532,381
-	-	12,317	12,317
3,215,064	-	11,519,986	56,628,220
(3,215,064)	29,133	(921,080)	(6,647,029)
1,584,962	-	-	1,584,962
-	-	400,000	400,000
-	-	(400,000)	(400,000)
613,310	-	602,615	1,768,684
-	-	139,884	139,884
-	(29,134)	(367,625)	(1,768,684)
2,198,272	(29,134)	374,874	1,724,846
(1,016,792)	(1)	(546,206)	(4,922,183)
912,224	2,907,588	4,978,837	12,944,431
-	-	6,846	(10,956)
\$ (104,568)	\$ 2,907,587	\$ 4,439,477	\$ 8,011,292

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (4,922,183)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 4,065,354	
Depreciation expense	<u>(1,196,275)</u>	2,869,079
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		(70,463)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	2,358,430	
Accrued interest payable	<u>20,019</u>	2,378,449
3. The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires that pension expense and deferred outflows/inflows of resources related to pensions be recongized.		843,915
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	39,157	
Change in inventory reserve	(10,956)	
Amortization of deferred charges, premiums and discounts	<u>18,993</u>	47,194
Change in Net Position of governmental activities		<u><u>\$ 1,145,991</u></u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Fiduciary Funds

**Statement of Fiduciary Net Position
June 30, 2015**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,719,057
Due from other funds	<u>2,200</u>
Total Assets	<u>\$ 1,721,257</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,696,305
Due to other funds	6,245
Due to student clubs	<u>18,707</u>
Total Liabilities	<u>\$ 1,721,257</u>

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, 2015

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, 2015

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.

Title II 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.

Tornado Fund- This capital project fund accounts for funds from insurance proceeds and expenditures related to tornado repairs and construction.

16th 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, 2015

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, 2015

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, 2015

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 and Prepaid Items

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

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

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies-Continued

The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*
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	\$55,808
Deferred outflows related to pensions	\$5,091,891

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	\$149,549
Deferred inflows related to pensions	\$7,389,971

See Note 6 and 8 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, 2015

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. Pensions

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

11. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is a committed balance for board designated activities.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose. 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies-Continued

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

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

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the 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 \$ 581,150 and \$1,719,057, 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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

However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$4,636,925 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,808,080.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturity (in years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities			
Class A Money Market Mutual Funds	AAAm	less than 1	\$ 351,213
Money Market	N/A	N/A	35,781
U.S. Government Securities	AA+	2	656,232
Corporate Bonds	A+ to A-	1 to 4	210,944
Municipal Bonds	A to AA-	1 to 5	90,393
Fixed CMO's	AA+	9 to 15	426,924
Federal Home Loan Banks	AA+	5 to 15	<u>599,839</u>
			<u>\$ 2,371,326</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.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Title I	\$ 920,082
	Title II	96,159
	Tornado	447,040
	16th Section Principal Fund	29,134
	Other Governmental Funds	666,847
	Fiduciary Funds	6,245
	Title I Fund	Other Governmental Funds
Other Governmental Funds	Other Governmental Funds	56,861
Fiduciary Funds	General Fund	2,200
Totals		<u>\$ 2,268,860</u>

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

B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
16th Section Principal Fund	General Fund	\$ 220,500
Totals		<u>\$ 220,500</u>

The purpose of the Advances to/from other funds was to purchase school buses.

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

C. Inter-fund Transfer

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Tornado	\$ 613,310
	Other Governmental Funds	602,615
Title I Fund	General Fund	143,000
Title II Fund	General Fund	13,000
16th Section Principal Fund	General Fund	29,134
Other Governmental Funds	General Fund	367,625
Totals		<u>\$ 1,768,684</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 4 – Restricted Assets

The restricted assets represent the cash and investment balance, totaling \$ 696,109 and \$2,020,112, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs.

In addition, the restricted assets represent the investment balance totaling \$351,214 of the MAEP Limited Obligation Bond/Note Fund and the cash with fiscal agents totaling \$1,808,080 for the Qualified School Construction Bond.

Note 5 – Capital Assets

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

ASSET GROUP	BALANCE 7/1/2014	INCREASES	DECREASES	COMPLETED CONSTRUCTION	ADJUSTMENTS	BALANCE 6/30/2015
<u>NON-DEPRECIABLE CAPITAL</u>						
Land	\$ 522,938	\$ -	\$ -	\$ -	\$ (77)	\$ 522,861
Construction in progress	1,462,613	3,601,935	-	(2,688,147)	-	2,376,401
TOTAL NON-DEPRECIABLE	<u>1,985,551</u>	<u>3,601,935</u>	<u>-</u>	<u>(2,688,147)</u>	<u>(77)</u>	<u>2,899,262</u>
<u>DEPRECIABLE CAPITAL ASSETS</u>						
Buildings	36,423,306	-	(198,380)	2,688,147	-	38,913,073
Building Improvements	1,692,057	-	-	-	(54,690)	1,637,367
Improvements other than Buildings	4,123,823	-	-	-	7,157	4,130,980
Mobile Equipment	2,399,187	295,565	(240,836)	-	-	2,453,916
Furniture and Equipment	4,838,454	167,854	(23,087)	-	7,386	4,990,607
Leased Property under capital leases	986,299	-	-	-	-	986,299
TOTAL DEPRECIABLE CAPITAL	<u>50,463,126</u>	<u>463,419</u>	<u>(462,303)</u>	<u>2,688,147</u>	<u>(40,147)</u>	<u>53,112,242</u>
<u>LESS ACCUMULATED DEPRECIATION</u>						
Buildings	14,119,744	611,941	(154,737)	-	(3,967)	14,572,981
Building Improvements	294,377	65,494	-	-	-	359,871
Improvements other than Buildings	1,625,412	134,977	-	-	-	1,760,389
Mobile Equipment	1,372,157	211,925	(216,752)	-	(2)	1,367,328
Furniture and Equipment	4,454,937	126,938	(20,351)	-	(2,505)	4,559,019
Leased Property under capital leases	842,669	45,000	-	-	2	887,671
TOTAL ACCUMULATED DEPRECIATION	<u>22,709,296</u>	<u>1,196,275</u>	<u>(391,840)</u>	<u>-</u>	<u>(6,472)</u>	<u>23,507,259</u>
TOTAL DEPR. CAPITAL ASSETS, NET	<u>27,753,830</u>	<u>(732,856)</u>	<u>(70,463)</u>	<u>2,688,147</u>	<u>(33,675)</u>	<u>29,604,983</u>
GOVERNMENTAL ACTIVITIES						
CAPITAL ASSETS, NET	<u>\$ 29,739,381</u>	<u>\$ 2,869,079</u>	<u>\$ (70,463)</u>	<u>\$ -</u>	<u>\$ (33,752)</u>	<u>\$ 32,504,245</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 30,073
Support services	1,111,942
Non-instructional	54,260
Total depreciation expense - Governmental activities	<u>\$ 1,196,275</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 5 – Capital Assets-Continued

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
Governmental Activities:		
Baseball Stadium	\$ 2,376,401	\$ 280,213
Total government activities	<u>\$ 2,376,401</u>	<u>\$ 280,213</u>

Construction projects included in governmental activities are funded with insurance proceeds and district maintenance funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 6,290,000	\$ -	\$ 1,185,000	\$ 5,105,000	\$ 1,285,000
B. Limited obligation bonds payable	3,261,000	-	672,000	2,589,000	694,000
C. Three mill notes payable	3,000,000	-	325,000	2,675,000	335,000
D. Shortfall notes payable	155,358	-	87,248	68,110	68,110
E. Obligations under capital leases	120,188	-	89,182	31,006	31,006
F. Qualified school construction bonds payable	6,000,000	-	-	6,000,000	-
G. Compensated absences payable	276,407	-	39,157	237,250	-
Total	<u>\$ 19,102,953</u>	<u>\$ -</u>	<u>\$ 2,397,587</u>	<u>\$ 16,705,366</u>	<u>\$ 2,413,116</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding series 2013	3.00%	9/10/2013	4/15/2019	\$ 3,375,000	\$ 2,570,000
General obligation refunding series 2010	1.0-3.0%	4/1/2011	4/1/2018	6,355,000	2,535,000
Total				<u>\$ 9,730,000</u>	<u>\$ 5,105,000</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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 June 30	Principal	Interest	Total
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
Total	\$ 2,570,000	\$ 225,600	\$ 2,795,600

This debt will be retired from the Bond Retirement Fund.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 845,000	\$ 71,825	\$ 916,825
2017	825,000	50,700	875,700
2018	865,000	25,950	890,950
Total	\$ 2,535,000	\$ 148,475	\$ 2,683,475

This debt will be retired from the Bond Retirement Fund.

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
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
Total	\$ 5,105,000	\$ 374,075	\$ 5,479,075

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 1.44% of property assessments as of October 1, 2014.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 6 – Long-term Liabilities-Continued

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. State aid capital refunding bonds, series 2008	3.34%	7/31/2008	2/1/2018	\$ 5,973,000	\$ 2,589,000
Total				<u>\$ 5,973,000</u>	<u>\$ 2,589,000</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
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>\$ 2,589,000</u>	<u>\$ 153,107</u>	<u>\$ 2,742,107</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.

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	\$ 570,000
2. Limited tax notes, Series 2012	2.42%	6/15/2012	6/15/2025	2,700,000	2,105,000
Total				<u>\$ 3,700,000</u>	<u>\$ 2,675,000</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 6 – Long-term Liabilities-Continued

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
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>\$ 570,000</u>	<u>\$ 41,464</u>	<u>\$ 611,464</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
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	210,000	34,363	244,363
2021-2025	1,070,000	93,976	1,163,976
Total	<u>\$ 2,105,000</u>	<u>\$ 302,040</u>	<u>\$ 2,407,040</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
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	210,000	34,363	244,363
2021-2025	1,070,000	93,976	1,163,976
Total	<u>\$ 2,675,000</u>	<u>\$ 343,504</u>	<u>\$ 3,018,504</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 6 – Long-term Liabilities-Continued

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 2012	2.15%	7/25/2012	7/25/2015	200,000	68,110
Total				<u>\$ 200,000</u>	<u>\$ 68,110</u>

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:

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 68,110	\$ 1,484	\$ 69,594
Total	<u>\$ 68,110</u>	<u>\$ 1,484</u>	<u>\$ 69,594</u>

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 \$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, 2015, is \$31,006.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2016	31,006	788	31,794
Total	<u>\$ 31,006</u>	<u>\$ 788</u>	<u>\$ 31,794</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 6 – Long-term Liabilities-Continued

F. Qualified school construction bonds payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount 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				<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>

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 14, 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 \$200,473, 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, 2015

Note 7 – Short-Term Financing

During the fiscal year ended June 30, 2015, 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 Trustmark National Bank 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 7/1/2014	Additions	Reductions	Balance 6/30/2015
1. Revenue Anticipation Note	\$ -	\$ 4,500,000	\$ 4,500,000	\$ -

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan-Continued

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer’s rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district’s contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$4,296,613, \$3,994,934 and \$3,767,771, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$51,058,006 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the school district’s long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, The school district’s proportion was .42 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,452,698. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 795,278	\$
Net difference between projected and actual earnings on pension plan investments		7,389,971
District contributions subsequent to the measurement date	4,296,613	
Total	\$ 5,091,891	\$ 7,389,971

\$4,296,613 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$1,561,422
2017	1,561,422
2018	1,624,357
2019	1,847,493

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan-Continued

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

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

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

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

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District’s proportionate share of the net pension liability	\$ 69,501,365	\$ 50,980,310	\$ 35,530,996

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2016	54,166
2017	54,166
2018	53,246
2019	53,246
2020	53,246
2021 – 2025	255,969
2026 – 2030	230,755
2031 – 2035	206,963
2036 – 2040	174,181
2041 – 2043	98,069
Total	<u>\$ 1,234,007</u>

Note 10 – Deficit Fund Balance of Individual Funds

The Tornado Fund has a deficit fund balance in the amount of \$104,568.

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

A general listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

Fund	Fund Balance
Tornado	\$ 104,568

The deficit fund balances, as listed above, are in violation of Section 37-61-19, Miss. Code Ann. (1972). These deficits could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1 Implementation of GASB 68 and 71:	\$ 58,194,935
Net pension liability (measurement date)	
Deferred outflows-contributions made during fiscal	
year 2014	3,994,934
Total prior period adjustment related to	
GASB 68 and 71	54,200,001
2 Error in calculation of capital assets	33,752
Total	\$ 54,233,753

Note 12 – Contingencies

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

Note 13 – Risk Management

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

Note 14 – 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. For the year ended June 30, 2015, the subsidy payments amounted to \$139,884.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 14 – Qualified School Construction Bonds

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, 2015 was \$1,808,080. 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 June 30	2009 Series	2010 Series	Total
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	200,000	200,000	400,000
2021 – 2025	1,000,000	1,000,000	2,000,000
2026 – 2027	-	200,000	200,000
Total	<u>\$ 2,000,000</u>	<u>2,200,000</u>	<u>4,200,000</u>

Note 15 - 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 17, 2015, the date the financial statements were available to be issued and determined the following subsequent events:

The school district issued a shortfall note on September 1, 2015 in the amount of \$129,979. This debt will be repaid over three years at 2.09% interest with yearly payments of \$43,326.33.

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 1a

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Local Sources	\$ 16,879,079	\$ 16,829,617	\$ 16,729,617	\$ (49,462)	\$ (100,000)
State Sources	18,390,193	18,267,117	18,367,117	(123,076)	100,000
Federal Sources	409,500	150,192	440,008	(259,308)	289,816
Sixteenth Section Sources	-	73,533	73,533	73,533	-
Total Revenues	<u>35,678,772</u>	<u>35,320,459</u>	<u>35,610,275</u>	<u>(358,313)</u>	<u>289,816</u>
Expenditures:					
Instruction	20,555,629	21,662,239	21,812,451	(1,106,610)	(150,212)
Support Services	15,148,279	15,959,339	16,158,408	(811,060)	(199,069)
Noninstructional Services	148,998	132,218	132,218	16,780	-
Sixteenth Section	-	13,499	13,499	(13,499)	-
Facilities Acquisition & Construction	-	-	-	-	-
Debt Service	184,451	184,451	189,717	-	(5,266)
Total Expenditures	<u>36,037,357</u>	<u>37,951,746</u>	<u>38,306,293</u>	<u>(1,914,389)</u>	<u>(354,547)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(358,585)</u>	<u>(2,631,287)</u>	<u>(2,696,018)</u>	<u>(2,272,702)</u>	<u>(64,731)</u>
Other Financing Sources (Uses):					
Insurance Recovery	1,000	-	-	(1,000)	-
Indirect Costs	343,382	353,407	-	10,025	(353,407)
Operating Transfers In	5,655,120	5,952,181	552,759	297,061	(5,399,422)
Operating Transfers Out	(6,464,756)	(7,079,988)	(1,215,925)	(615,232)	5,864,063
Total Other Financing Sources (Uses)	<u>(465,254)</u>	<u>(774,400)</u>	<u>(663,166)</u>	<u>(309,146)</u>	<u>111,234</u>
Net Change in Fund Balance	<u>(823,839)</u>	<u>(3,405,687)</u>	<u>(3,359,184)</u>	<u>(2,581,848)</u>	<u>46,503</u>
Fund Balances:					
July 1, 2014	4,733,660	4,235,171	4,145,782	(498,489)	(89,389)
Prior period adjustments	-	127,192	-	127,192	(127,192)
July 1, 2014, restated	<u>4,733,660</u>	<u>4,362,363</u>	<u>4,145,782</u>	<u>(371,297)</u>	<u>(216,581)</u>
Increase (decrease) in reserve for inventory	-	-	(17,802)	-	(17,802)
June 30, 2015	<u>\$ 3,909,821</u>	<u>\$ 956,676</u>	<u>\$ 768,796</u>	<u>\$ (2,953,145)</u>	<u>\$ (187,880)</u>

The notes to the required supplementary 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, 2015**

SCHEDULE 1b

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Local Sources	\$ -	\$ -	\$ 4,289	\$ -	\$ 4,289
Federal Sources	<u>2,623,326</u>	<u>3,042,077</u>	<u>3,290,729</u>	<u>418,751</u>	<u>248,652</u>
Total Revenues	<u>2,623,326</u>	<u>3,042,077</u>	<u>3,295,018</u>	<u>418,751</u>	<u>252,941</u>
Expenditures:					
Instruction	1,299,236	1,903,057	1,652,415	(603,821)	250,642
Support Services	1,284,197	1,618,592	1,401,511	(334,395)	217,081
Noninstructional Services	151,832	167,991	98,092	(16,159)	69,899
Debt Service	-	-	-	-	-
Total Expenditures	<u>2,735,265</u>	<u>3,689,640</u>	<u>3,152,018</u>	<u>(954,375)</u>	<u>537,622</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(111,939)</u>	<u>(647,563)</u>	<u>143,000</u>	<u>(535,624)</u>	<u>790,563</u>
Other Financing Sources (Uses):					
Insurance Recovery	-	-	-	-	-
Operating Transfers In	248,652	248,652	-	-	(248,652)
Operating Transfers Out	<u>(136,713)</u>	<u>(143,000)</u>	<u>(143,000)</u>	<u>(6,287)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>111,939</u>	<u>105,652</u>	<u>(143,000)</u>	<u>(6,287)</u>	<u>(248,652)</u>
Net Change in Fund Balance	-	(541,911)	-	(541,911)	541,911
Fund Balances:					
July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2015	<u>\$ -</u>	<u>\$ (541,911)</u>	<u>\$ -</u>	<u>\$ (541,911)</u>	<u>\$ 541,911</u>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR TITLE II FUND
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 1c

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	472,721	696,511	447,859	223,790	(248,652)
Total Revenues	<u>472,721</u>	<u>696,511</u>	<u>447,859</u>	<u>223,790</u>	<u>(248,652)</u>
Expenditures:					
Instruction	23,281	49,120	27,208	(25,839)	21,912
Support Services	190,119	602,280	407,651	(412,161)	194,629
Noninstructional Services	-	-	-	-	-
Debt Service	-	-	-	-	-
Total Expenditures	<u>213,400</u>	<u>651,400</u>	<u>434,859</u>	<u>(438,000)</u>	<u>216,541</u>
Excess (Deficiency) of Revenues over Expenditures	<u>259,321</u>	<u>45,111</u>	<u>13,000</u>	<u>(214,210)</u>	<u>(32,111)</u>
Other Financing Sources (Uses):					
Indirect Costs Transfers Out	(10,669)	(13,000)	(13,000)	(2,331)	-
Operating Transfers Out	(248,652)	(248,652)	-	-	248,652
Total Other Financing Sources (Uses)	<u>(259,321)</u>	<u>(261,652)</u>	<u>(13,000)</u>	<u>(2,331)</u>	<u>248,652</u>
Net Change in Fund Balance	-	(216,541)	-	(216,541)	216,541
Fund Balances:					
July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2015	<u>\$ -</u>	<u>\$ (216,541)</u>	<u>-</u>	<u>(216,541)</u>	<u>216,541</u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.42%
District's proportionate share of the net pension liability (asset)	\$ 51,058,006
District's covered-employee payroll	25,364,660
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	201.30%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

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

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

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 PERS
 Last 10 Fiscal Years**

	2015
Contractually required contribution	\$ 4,296,613
Contributions in relation to the contractually required contribution	\$ 4,296,613
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 27,280,072
Contributions as a percentage of covered-employee payroll	15.75%

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

HATTIESBURG SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

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, 2015**

SCHEDULE 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed-Through Mississippi Dept. of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	1,022,965
National School Lunch Program	10.555	2,361,735
Summer Food Service Program for Children	10.559	122,114
Total Child Nutrition Cluster		3,506,814
Fresh fruits and vegetables grant	10.582	146,410
Total U.S. Dept. of Agriculture		3,653,224
 <u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	357,339
Total Federal Communications Commission		357,339
 <u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed-Through Mississippi Dept. of Education:		
Career and Technical Education-Basic Grants to States	84.048	70,328
English Language Acquisition Grants	84.365	29,743
Improving Teacher Quality - State Grants	84.367	696,511
Title I Grants to Local Educational Agencies	84.010	3,137,206
Special Education Cluster:		
Special Education - Grants to States	84.027	1,163,924
Special Education - Preschool Grants	84.173	44,346
Total Special Education Cluster		1,208,270
Adult Education - Basic Grants to States	84.002	109,350
Education for Homeless Children and Youth	84.196	44,911
Total Passed-Through MDE		5,296,319
Total U.S. Department of Education		5,296,319

**HATTIESBURG PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	SCHEDULE 2 Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-Through Mississippi Dept. of Education:		
Medical Assistance Program	93.778	74,623
Total Passed-Through MDE		74,623
Total U.S. Department of Health and Human Services		74,623
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve officers' training corp	12.xxx	52,571
Total U.S. Department of Defense		52,571
Total for all Federal Awards		\$ 9,434,076

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, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>General Administrative</u>	<u>School Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 37,900,876	\$ 23,748,279	\$ 1,445,600	\$ 2,434,639	\$ 10,272,358
Other	<u>\$ 18,727,344</u>	<u>2,807,737</u>	<u>815,052</u>	<u>252,500</u>	<u>14,852,055</u>
Total	<u>\$ 56,628,220</u>	<u>\$ 26,556,016</u>	<u>\$ 2,260,652</u>	<u>\$ 2,687,139</u>	<u>\$ 25,124,413</u>
 Total number of students *	 4,023				
Cost per student	\$ 14,076	\$ 6,601	\$ 562	\$ 668	\$ 6,245

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>2015</u>	<u>2014**</u>	<u>2013**</u>	<u>2012**</u>
Revenues:				
Local Sources	\$ 16,729,617	\$ 16,722,866	\$ 16,742,055	\$ 16,597,525
State Sources	18,367,117	17,598,969	17,799,329	17,411,992
Federal Sources	440,008	332,821	338,588	696,169
Sixteenth Section Sources	<u>73,533</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>35,610,275</u>	<u>34,654,656</u>	<u>34,879,972</u>	<u>34,705,686</u>
Expenditures				
Instruction	21,812,451	20,164,378	20,206,182	19,638,717
Support Services	16,158,408	15,069,210	14,424,037	14,808,686
Noninstructional Services	132,218	132,102	189,272	184,791
Sixteenth Section	13,499	-	-	-
Facilities Acquisition and Construction	-	51,642	17,000	
Debt Service:				
Principal	176,429	387,448	108,869	295,435
Interest	<u>13,288</u>	<u>20,498</u>	<u>229,583</u>	<u>34,998</u>
Total Expenditures	<u>38,306,293</u>	<u>35,825,278</u>	<u>35,174,943</u>	<u>34,962,627</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(2,696,018)</u>	<u>(1,170,622)</u>	<u>(294,971)</u>	<u>(256,941)</u>
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued	-	-	200,000	-
Insurance Recovery	-	21,110	5,277	54,692
Proceeds of shortfall note	-	-	-	60,000
Operating Transfers In	552,759	310,998	368,200	522,324
Operating Transfers Out	<u>(1,215,925)</u>	<u>(883,569)</u>	<u>(978,583)</u>	<u>(669,854)</u>
Total Other Financing Sources (Uses)	<u>(663,166)</u>	<u>(551,461)</u>	<u>(405,106)</u>	<u>(32,838)</u>
NET CHANGE IN FUND BALANCES	(3,359,184)	(1,722,083)	(700,077)	(289,779)
FUND BALANCES:				
Beginning of period	4,145,782	5,842,080	6,533,014	6,814,468
Increase (Decrease) in Reserve for Inventory	<u>(17,802)</u>	<u>25,785</u>	<u>9,143</u>	<u>8,325</u>
End of Period	<u>\$ 768,796</u>	<u>\$ 4,145,782</u>	<u>\$ 5,842,080</u>	<u>\$ 6,533,014</u>

** Source - Prior Year Audit Reports

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS**

	UNAUDITED			
	2015	2014**	2013**	2012**
Revenues:				
Local Sources	\$ 19,408,270	\$ 19,398,212	\$ 18,924,478	\$ 18,459,389
State Sources	20,970,117	20,094,099	19,771,423	19,335,474
Federal Sources	9,500,138	8,874,241	9,959,558	11,538,954
Sixteenth Section Sources	102,666	88,334	79,898	49,041
Total Revenues	49,981,191	48,454,886	48,735,357	49,382,858
Expenditures				
Instruction	26,556,016	26,017,708	25,943,731	25,668,806
Support Services	19,371,418	19,406,689	19,525,630	19,409,643
Noninstructional Services	4,182,225	3,650,895	3,756,254	3,488,175
Sixteenth Section	13,499	12,230	9,014	19,614
Facilities Acquisition and Construction	3,601,935	1,666,838	436,490	692,963
Debt Service:				
Principal	2,358,429	2,812,449	2,470,580	2,194,435
Interest	532,381	421,894	547,280	547,518
Other	12,317	-	6,335	36,085
Total Expenditures	56,628,220	53,988,703	52,695,314	52,057,239
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,647,029)	(5,533,817)	(3,959,957)	(2,674,381)
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued	-	-	200,000	-
Insurance Recovery	1,584,962	2,197,037	4,706,575	54,692
Proceeds of 3 mill note	-	-	-	2,700,000
Proceeds of shortfall note	-	-	-	60,000
Proceeds of refunding bonds		3,375,000		
Premiums on bonds and refunding bonds issued		175,416		
Subsidy Payments on QSCB	139,884	-	-	-
Payment to Escrow Agent	400,000	-	400,000	400,000
Transfer to qualified construction bond escrow agent	(400,000)	(3,692,082)	(400,000)	(400,000)
Operating Transfers In	1,768,684	1,340,893	1,456,710	1,198,426
Operating Transfers Out	(1,768,684)	(1,340,893)	(1,456,710)	(1,198,426)
Total Other Financing Sources (Uses)	1,724,846	2,055,371	4,906,575	2,814,692
Special Item	-	-	-	(199,015)
NET CHANGE IN FUND BALANCES	(4,922,183)	(3,478,446)	946,618	(58,704)
FUND BALANCES:				
Beginning of period	12,944,431	16,388,471	15,454,522	15,503,658
Prior period adjustment	-	-	-	15,477
Beginning of period, as restated	12,944,431	16,388,471	15,454,522	15,519,135
Increase (Decrease) in Reserve for Inventory	(10,956)	34,403	(12,669)	(5,909)
End of Period	\$ 8,011,292	\$ 12,944,428	\$ 16,388,471	\$ 15,454,522

** Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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, 2015, 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 17, 2015.

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.

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

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

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 17, 2015, 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 17, 2015



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, 2015. 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, 2015.

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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 17, 2015

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



HOLT & ASSOCIATES, PLLC
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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, 2015, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated November 17, 2015. 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.

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

Finding #1

Code Section 37-61-19, Miss. Code Ann. (1972) states that it is unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund. During our audit, we found that Fund 3033 – Tornado Construction Fund spent more resources than was allowed. This overage was the result of an audit adjustment to accrue the retainage on construction contract.

Recommendation: Budget to actual expenditures should be monitored closely and all accruals properly made.

School District's Response

The district will ensure that budgeted expenditures do not exceed budgeted resources in funds as required for compliance with Code Section 37-61-19, 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 17, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HATTIESBURG PUBLIC SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

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? | No. |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | Yes. |

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: | |
| | <u>CFDA Numbers Name of Federal Program or Cluster</u> | |
| | 84.010 Title I Grants to Local Educational Agencies | |
| | Child Nutrition Cluster: | |
| | 10.553 School Breakfast Program | |
| | 10.555 National School Lunch Program | |
| | 10.559 Summer Food Service Program for Children | |
| 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

Significant Deficiency:

Finding 2015-001:

While substantiating fixed assets within the school district, it was discovered that not all fixed asset purchases were added to the depreciation schedule. Also, some assets purchased in current year were added to the depreciation in the prior year.

Recommendation: Each month, the school district fixed asset clerk should print a report of all 700 accounts and reconcile it to their fixed asset additions.

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, 2015:

Finding

2015-001

Corrective Action Plan Details

- a. Name of contact person responsible for corrective action:
Terry Stennis, Chief Financial Officer

- b. Corrective Action Planned:
The district will implement procedures to ensure that all fixed asset purchases are added to the depreciation schedule.

- c. Anticipated Completion Date:
Immediately