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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2009**

# HATTIESBURG PUBLIC SCHOOL DISTRICT

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

Superintendent and School Board  
Hattiesburg Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Hattiesburg Public School District, as of and for the year ended June 30, 2009, which collectively comprise the Hattiesburg Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hattiesburg Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School District, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, on our consideration of the Hattiesburg Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

*Holt & Associates PLLC*

December 2, 2009

**Management's Discussion and Analysis**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2009**

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The discussion and analysis of Hattiesburg Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets decreased \$1,511,223 in 2009 and decreased \$158,426 in 2008, which represents a decrease of 7.4% and a decrease of .77% respectively.
- General revenues account for \$37,164,183 in 2009 and \$37,517,066 in 2008, or 76.8% and 78.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,219,766 in 2009 and \$10,280,881 in 2008 or 23.2% and 21.5% of total revenues, respectively.
- Expenses amounted to \$49,895,172 in 2009 and \$47,956,373 in 2008; only \$11,219,766 in 2009 and \$10,280,881 in 2008 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$37,164,183 and \$37,517,066, respectively, were not adequate to provide for these programs in 2009 nor 2008.
- Among major funds, the General Fund had \$34,864,489 in revenues and \$35,974,445 in expenditures in 2009; in 2008 there were \$34,431,625 in revenues and \$34,389,485 in expenditures. The General Fund's fund balance decreased \$1,667,712 in 2009 and \$1,121,259 in 2008.
- Capital assets, net of accumulated depreciation, decreased by \$720,159 in 2009 and decreased by \$370,577 in 2008.
- Long-term debt decreased by \$1,735,768 in 2009 and \$1,871,817 in 2008. This decrease was due to principal payments and debt retirement made during the fiscal year on existing debt.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2009

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2009**

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

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

**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 financial statements.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133, a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Also, included in the other supplemental information section are the Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

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

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$18,922,377 as of June 30, 2009.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2009**

The District's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. At June 30, 2009 and 2008, \$10,421,329 and \$9,489,793 or 55% and 46%, respectively, comprise its investment in capital assets (c.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The restricted net assets of \$6,111,496 in 2009 and \$5,448,766 in 2008 or 32% and 27%, respectively, are restricted to expenditures for certain school based activities, debt service, capital improvements, unemployment benefits, and 16<sup>th</sup> section investment purposes. The remaining portion of the net assets, or unrestricted net assets, is available for school expenditures.

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

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2009 and 2008.

**Condensed Statement of Net Assets**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<b>Percent Change</b>
Current assets	\$ 11,260,413	\$ 12,400,240	-9.19%
Other assets	3,002,721	2,907,587	3.27%
Capital assets, net	<u>26,506,634</u>	<u>27,226,793</u>	-2.65%
<b>Total assets</b>	<u>\$ 40,769,768</u>	<u>\$ 42,534,620</u>	-4.15%
Current liabilities	\$ 1,976,056	\$ 493,917	300.08%
Long-term debt outstanding	<u>19,871,335</u>	<u>21,607,103</u>	-8.03%
<b>Total liabilities</b>	<u>\$ 21,847,391</u>	<u>\$ 22,101,020</u>	-1.15%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ 10,421,329	\$ 9,489,793	9.82%
Restricted	6,111,496	5,448,766	12.16%
Unrestricted	<u>2,389,552</u>	<u>5,495,041</u>	-56.51%
<b>Total net assets</b>	<u>\$ 18,922,377</u>	<u>\$ 20,433,600</u>	-7.40%

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

- Current liabilities increased due to several large invoices accrued at year end.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2009**

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2009 and 2008 were \$48,383,949 and \$47,797,947, respectively. The total cost of all programs and services was \$49,895,172 in 2009 and \$47,956,373 in 2008. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2009 and 2008.

<b>Change in Net Assets</b>			<b>Percentage</b>
<b>Revenues:</b>	<b><u>June 30, 2009</u></b>	<b><u>June 30, 2008</u></b>	<b><u>Change</u></b>
Program revenues:			
Charges of services	\$ 557,041	\$ 474,032	17.51%
Operating grants and contributions	9,881,331	9,806,849	0.76%
Capital grants and contributions	781,394	-	N/A
General revenues:			
Property taxes	16,810,481	16,284,140	3.23%
Unrestricted grants and contributions	19,807,229	20,005,409	-0.99%
Other	<u>546,473</u>	<u>1,227,517</u>	-55.48%
<b>Total revenues</b>	<b><u>48,383,949</u></b>	<b><u>47,797,947</u></b>	<b>1.23%</b>
<b>Expenses:</b>			
Instruction	26,158,724	24,137,698	8.37%
Support services	19,787,781	19,437,599	1.80%
Non-instructional	3,089,496	3,393,122	-8.95%
Sixteenth section	40,055	20,197	98.32%
Interest on long-term liabilities	<u>819,116</u>	<u>967,757</u>	-15.36%
<b>Total expenses</b>	<b><u>49,895,172</u></b>	<b><u>47,956,373</u></b>	<b>4.04%</b>
<b>Increase (decrease) in net assets</b>	<b><u>(1,511,223)</u></b>	<b><u>(158,426)</u></b>	<b>-853.90%</b>
<b>Net assets, July 1</b>	<b><u>20,433,600</u></b>	<b><u>20,592,026</u></b>	<b>-0.77%</b>
<b>Net assets, June 30</b>	<b><u>\$ 18,922,377</u></b>	<b><u>\$ 20,433,600</u></b>	<b>-7.40%</b>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2009**

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2009</u>	<u>2008</u>	
Instruction	\$ 26,158,724	\$ 24,137,698	8.37%
Support services	19,787,781	19,437,599	1.80%
Non-instructional	3,089,496	3,393,122	-8.95%
Sixteenth section	40,055	20,197	98.32%
Interest on long-term liabilities	819,116	967,757	-15.36%
<b>Net expenses</b>	<b><u>\$ 49,895,172</u></b>	<b><u>\$ 47,956,373</u></b>	<b>4.04%</b>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2009</u>	<u>2008</u>	
Instruction	\$ (21,268,811)	\$ (20,065,069)	6.00%
Support services	(15,737,341)	(14,180,465)	10.98%
Non-instructional	(810,083)	(2,442,004)	-66.83%
Sixteenth section	(40,055)	(20,197)	98.32%
Interest on long-term liabilities	(819,116)	(967,757)	-15.36%
<b>Total net (expense) revenue</b>	<b><u>\$ (38,675,406)</u></b>	<b><u>\$ (37,675,492)</u></b>	<b>2.65%</b>

- Net cost of governmental activities in 2009 was (\$38,675,406) and in 2008 (\$37,675,492) financed by general revenue, which is made up of primarily property taxes in 2009 and 2008 of \$16,810,481 and \$16,284,140, respectively, and state and federal revenue of \$19,807,229 in 2009 and \$20,005,409 in 2008. In addition, there was \$53,893 and \$45,708 in Sixteenth Section sources for 2009 and 2008, respectively.
- Investment earnings amounted to \$ 392,322 for 2009 and \$653,913 for 2008.

**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.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2009**

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,460,497 in 2009 a decrease of \$2,613,816 and \$15,074,313 in 2008, a decrease of \$1,679,754. Of the fund balance, \$7,935,848 or 64% in 2009 and \$9,284,918 or 62% in 2008 constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$4,524,649 or 36% in 2009 and \$5,789,395 or 38% in 2008 is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,667,712 most of which was anticipated by the budget due to amounts received in the prior year for hurricane recovery expenditures. The fund balance of all other funds showed a decrease of \$946,104.

#### **BUDGETARY HIGHLIGHTS**

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

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

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2009**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The District's total capital assets as of June 30, 2009 and 2008 were \$44,862,795 and \$44,138,013 including school buildings, buses, other school vehicles and furniture and equipment. These amounts represent an increase of \$724,782 in 2009 and \$1,248,393 in 2008 from the previous year. Total accumulated depreciation as of June 30, 2009 was \$18,356,161 and total depreciation expense for the year was \$1,649,576 resulting in total net assets of \$26,506,634.

**Capital Assets, Net of Depreciation**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>
Land	\$ 422,097	\$ 182,905	131%
Buildings	21,761,305	22,265,676	-2%
Building improvements	680,997	502,893	35%
Improvements other than buildings	2,085,736	1,968,960	6%
Mobile equipment	449,595	455,828	-1%
Furniture and equipment	453,113	1,088,983	-58%
Leased property under capital leases	653,791	761,548	-14%
<b>Total</b>	<b><u>\$ 26,506,634</u></b>	<b><u>\$ 27,226,793</u></b>	<b>-3%</b>

**Debt Administration.** At June 30, 2009 and 2008, the District had \$19,871,335 and \$21,607,103 in general and limited obligation bonds and other long-term debt outstanding, of which \$1,743,980 in 2009 and \$2,042,195 in 2008 is due within one year.

**Outstanding Long-Term Debt**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 11,895,000	\$ 12,768,500	-7%
Limited obligation bonds payable	5,973,000	6,290,000	-5%
Three mill notes payable	975,000	1,540,000	-37%
Obligations under capital leases	703,556	817,251	-14%
Compensated absences payable	324,779	191,352	70%
<b>Total</b>	<b><u>\$ 19,871,335</u></b>	<b><u>\$ 21,607,103</u></b>	<b>-8%</b>

Additional information of the District's long-term debt 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, 2009**

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**CURRENT ISSUES**

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Government-Wide Financial Statements**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2009**

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

<b>Assets</b>	
Cash and cash equivalents	\$ 7,820,575
Cash with fiscal agents	298,067
Due from other governments	2,888,643
Inventories and prepaid items	217,761
Deferred charges	35,367
Restricted assets	3,002,721
Capital assets, non-depreciable:	
Land	422,097
Capital assets, net of accumulated depreciation:	
Buildings	21,761,305
Building improvements	680,997
Improvement other than buildings	2,085,736
Mobile Equipment	449,595
Furniture and equipment	453,113
Leased property under capital leases	653,791
Total Assets	<u>\$ 40,769,768</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,765,467
Interest payable on long-term liabilities	208,786
Unearned revenue	1,803
Long-term liabilities, due within one year	
Capital related liabilities	1,251,480
Non-capital related liabilities	492,500
Long-term liabilities, due beyond one year	
Capital related liabilities	14,833,825
Non-capital related liabilities	3,293,530
Total Liabilities	<u>\$ 21,847,391</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 10,421,329
Restricted net assets:	
Expendable:	
School-based activities	1,978,027
Debt service	1,056,389
Capital improvements	1,942
Unemployment benefits	167,551
Non-expendable:	
Sixteenth section	2,907,587
Unrestricted	<u>2,389,552</u>
Total Net Assets	<u>\$ 18,922,377</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, 2009

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Total
<b>Governmental Activities:</b>					
Instruction	\$ 26,158,724	\$ 216,308	\$ 3,892,211	\$ 781,394	\$ (21,268,811)
Support Services	19,787,781	-	4,050,440	-	(15,737,341)
Non-instructional	3,089,496	340,733	1,938,680	-	(810,083)
Sixteenth section	40,055	-	-	-	(40,055)
Interest on long-term liabilities	819,116	-	-	-	(819,116)
<b>Total Governmental Activities</b>	<b>\$ 49,895,172</b>	<b>\$ 557,041</b>	<b>\$ 9,881,331</b>	<b>\$ 781,394</b>	<b>(38,675,406)</b>

General Revenues:

Taxes:

Property taxes - general purposes	14,851,066
Property taxes - debt service	1,959,415
Unrestricted grants and contributions	
State	19,380,640
Federal	426,589
Unrestricted investment earnings	392,322
Sixteenth Section sources	53,893
Other	100,258
<b>Total General Revenues</b>	<b>37,164,183</b>

Change in Net Assets (1,511,223)

Net Assets - Beginning 20,433,600

Net Assets - Ending \$ 18,922,377

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Governmental Fund Financial Statements**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2009**

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I Low Fund	HPSD Foundation Fund	MAEP Debt Retirement Fund	16th Section Principal Fund	Other Governmental Funds	
<b>ASSETS</b>							
Cash and cash equivalents	\$4,540,611	\$ -	\$ 895,023	\$ -	\$ 3,002,721	\$ 2,384,941	\$ 10,823,296
Cash with Fiscal Agents	-	-	-	298,067	-	-	298,067
Due from other governments	1,025,587	774,395	-	390,697	-	697,964	2,888,643
Due from other funds	1,713,752	-	-	-	-	567,398	2,281,150
Inventories and prepaid items	121,880	-	-	-	-	95,881	217,761
<b>Total Assets</b>	<b>\$7,401,830</b>	<b>\$ 774,395</b>	<b>\$ 895,023</b>	<b>\$ 688,764</b>	<b>\$ 3,002,721</b>	<b>\$ 3,746,184</b>	<b>\$ 16,508,917</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$1,098,863	\$ 302,789	\$ -	\$ -	\$ -	\$ 385,930	\$ 1,787,582
Deferred revenue	-	-	-	-	-	1,803	1,803
Due to other funds	5,507	471,606	437,677	-	95,134	1,249,111	2,259,035
<b>Total Liabilities</b>	<b>1,104,370</b>	<b>774,395</b>	<b>437,677</b>	<b>-</b>	<b>95,134</b>	<b>1,636,844</b>	<b>4,048,420</b>
<b>Fund Balances:</b>							
<b>Reserved For:</b>							
Unemployment Benefits	-	-	-	-	-	167,551	167,551
Inventory	88,791	-	-	-	-	95,881	184,672
Prepaid items	33,089	-	-	-	-	-	33,089
Capital Projects	-	-	-	-	-	1,942	1,942
Debt Service	-	-	-	688,764	-	541,044	1,229,808
Permanent funds	-	-	-	-	2,907,587	-	2,907,587
<b>Unreserved:</b>							
<b>Undesignated, reported in:</b>							
General fund	6,175,582	-	-	-	-	-	6,175,582
Special Revenue funds	-	-	457,346	-	-	1,302,920	1,760,266
<b>Total Fund Balances</b>	<b>6,297,462</b>	<b>-</b>	<b>457,346</b>	<b>688,764</b>	<b>2,907,587</b>	<b>2,109,338</b>	<b>12,460,497</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,401,832</b>	<b>\$ 774,395</b>	<b>\$ 895,023</b>	<b>\$ 688,764</b>	<b>\$ 3,002,721</b>	<b>\$ 3,746,182</b>	<b>\$ 16,508,917</b>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2009**

**Exhibit C-1**

**Amount**

Total Fund Balance - Governmental Funds	\$	12,460,497
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Amounts reported for governmental activities in the statement of net assets are different because:

- |  |  |               |
|--|--|---------------|
| 1 Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$18,356,161. |  | 26,506,634    |
| 2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.   |  | (19,871,335)  |
| 3 Governmental funds recognize interest on long-term debt when it becomes dues, however the Statement of Net Assets recognizes interest as it accrues.                         |  | (208,786)     |
| 4 Other long-term assets not available for current period expenditures and therefore are deferred in the funds.  |  | <u>35,367</u> |

Total Net Assets - Governmental Activities	\$	<u>18,922,377</u>
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**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds**  
**For the Year Ended June 30, 2009**

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Low Fund	HPSD Foundation Fund	MAEP Debt Retirement Fund	16th Section Principal Fund		
<b>REVENUES</b>							
Local sources	\$ 15,302,777	\$ -	\$ 39,892	\$ 693	\$ 95,133	\$ 2,421,605	\$ 17,860,100
State sources	19,124,413	-	-	781,394	-	1,242,874	21,148,681
Federal sources	437,299	3,030,171	-	-	-	5,853,805	9,321,275
Sixteenth section sources	-	-	-	-	-	53,893	53,893
<b>Total Revenues</b>	<b>34,864,489</b>	<b>3,030,171</b>	<b>39,892</b>	<b>782,087</b>	<b>95,133</b>	<b>9,572,177</b>	<b>48,383,949</b>
<b>EXPENDITURES</b>							
Instruction	20,887,383	1,312,833	-	-	-	3,849,648	26,049,864
Support services	14,414,366	1,539,621	-	-	-	2,487,999	18,441,986
Noninstructional services	237,079	137,717	-	-	-	2,715,820	3,090,616
Sixteenth section	-	-	-	-	-	40,055	40,055
Facilities acquisition and construction	285,330	-	-	-	-	373,281	658,611
Debt service:							
Principal	113,695	-	-	6,290,000	-	1,438,500	7,842,195
Interest	36,592	-	-	245,290	-	581,111	862,993
Other	-	-	-	550	-	3,520	4,070
<b>Total Expenditures</b>	<b>35,974,445</b>	<b>2,990,171</b>	<b>-</b>	<b>6,535,840</b>	<b>-</b>	<b>11,489,934</b>	<b>56,990,390</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,109,956)</b>	<b>40,000</b>	<b>39,892</b>	<b>(5,753,753)</b>	<b>95,133</b>	<b>(1,917,757)</b>	<b>(8,606,441)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds of general obligation bonds	-	-	-	5,933,963	-	-	5,933,963
Insurance loss recoveries	7,293	-	-	-	-	-	7,293
Sale of transportation equipment	4,760	-	-	-	-	-	4,760
Sale of other property	3,829	-	-	-	-	-	3,829
Operating transfers in	588,386	-	-	-	-	1,755,014	2,343,400
Operating transfers out	(1,188,561)	(40,000)	(437,677)	(171,525)	(95,133)	(410,504)	(2,343,400)
<b>Total Other Financing Sources (Uses)</b>	<b>(584,293)</b>	<b>(40,000)</b>	<b>(437,677)</b>	<b>5,762,438</b>	<b>(95,133)</b>	<b>1,344,510</b>	<b>5,949,845</b>
<b>Net Change in Fund Balances</b>	<b>(1,694,249)</b>	<b>-</b>	<b>(397,785)</b>	<b>8,685</b>	<b>-</b>	<b>(573,247)</b>	<b>(2,656,596)</b>
<b>Fund Balances</b>							
July 1, 2008	7,965,174	-	855,131	680,079	2,907,587	2,666,342	15,074,313
Increase (Decrease) in reserve for inventory	26,537	-	-	-	-	16,243	42,780
June 30, 2009	<b>\$ 6,297,462</b>	<b>\$ -</b>	<b>\$ 457,346</b>	<b>\$ 688,764</b>	<b>\$ 2,907,587</b>	<b>\$ 2,109,338</b>	<b>\$ 12,460,497</b>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2009**

**EXHIBIT D-1**

Net Change in fund balances - Governmental Funds	\$ (2,656,596)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1 Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchases amounted to \$947,887 and the depreciation expense amounted to \$1,649,576.	(701,689)
2 Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	7,842,195
3 Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(18,470)
4 Proceeds of long-term liabilities is reported in the governmental funds, but not in the Statement of Activities.	(5,933,963)
5 Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (increased) decreased in the Statement of Activities.	42,780
6 Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(133,427)
7 Issuance costs for long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	(3,670)
8 Change in interest accrued on long-term liabilities not recorded in governmental funds, but recorded and expensed in the Statement of Activities.	51,617
	(1,511,223)
Change in net assets of governmental activities	\$ (1,511,223)

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2009**

**EXHIBIT E**

	<b>Agency Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash	\$ <u>1,848,485</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,848,485</u></b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 1,821,786
Due to other funds	22,115
Due to Student Clubs	<u>4,584</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>1,848,485</u></b>

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2009

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## (1) Summary of Significant Accounting Policies.

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

### A. Financial Reporting Entity.

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

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

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

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

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2009

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

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

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

### Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2009

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## B. Basis of Presentation. (continued)

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

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

Hattiesburg Public School District Foundation Fund - This fund accounts for the blended component unit whose sole purpose is to receive grants, donations, and gifts of real or personal property or both, to use and apply the funds exclusively for the educational purposes of the District.

MAEP Debt Retirement Fund - This fund accounts for the payment of the limited obligation bonds principal and interest.

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

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

The District's fiduciary funds include the following:

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

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

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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### B. **Basis of Presentation.** (continued)

Additionally, the School District reports the following fund types

#### **GOVERNMENTAL FUNDS**

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

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

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

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

#### **FIDUCIARY FUNDS**

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are 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.

## HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2009

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

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 are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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### **E. Encumbrances.**

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

### **F. Assets, liabilities, and net assets or equity**

#### **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, as well as for its component units, 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 Financial Statements For the Year Ended June 30, 2009

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### F. Assets, liabilities, and net assets or equity (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 Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

#### 6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. 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 and estimated useful lives in excess of two years.

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 Financial Statements  
For the Year Ended June 30, 2009

**F. Assets, liabilities, and net assets or equity (continued)**

The following schedule details the capitalization thresholds:

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

**7. 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

**8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, 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 5 for details.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2009

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**F. Assets, liabilities, and net assets or equity (continued)**

9. Fund equity.

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

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

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

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

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

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

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

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

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

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$10,823,296 and \$1,848,485, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$7,820,575 and restricted assets - \$3,002,721. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$13,609,828.

Custodial Credit Risk—Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on the behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2009, the district was not exposed to custodial risk.

### **Cash with Fiscal Agents.**

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$298,067.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2009

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(3) **Inter-fund Receivables, Payables and Transfers.**

The following is a summary of interfund transactions and balances:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Title I Low	\$ 471,606
	Other governmental funds	1,220,031
	Fiduciary funds	22,115
Other governmental funds	General fund	5,507
	HPSD Foundation Fund	437,677
	16th Section Principal	95,134
	Other governmental funds	<u>29,080</u>
Total Funds		<u>\$ 2,281,150</u>

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

**B. Inter-fund Transfers:**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 1,188,561
Title I Low fund	General fund	40,000
HPSD Foundation fund	Other governmental funds	437,677
MAEP Debt Retirement fund	General fund	171,525
16 <sup>th</sup> Section Principal fund	Other governmental funds	95,133
Other governmental funds	General fund	376,861
	Other governmental funds	<u>33,643</u>
Total Funds		<u>\$ 2,343,400</u>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2009

**(4) Capital Assets.**

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

	<b>BALANCE</b>				<b>BALANCE</b>
	<b>7/1/2008</b>	<b>ADDITIONS</b>	<b>RETIRE.</b>	<b>ADJUST.</b>	<b>6/30/2009</b>
<b><u>NON-DEPRECIABLE CAPITAL</u></b>					
LAND	\$ 182,905	\$ 239,192	\$ -	\$ -	\$ 422,097
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	<u>182,905</u>	<u>239,192</u>	<u>-</u>	<u>-</u>	<u>422,097</u>
<b><u>DEPRECIABLE CAPITAL ASSETS</u></b>					
BUILDINGS	33,259,610	-	-	-	33,259,610
BUILDINGS IMPROVEMENTS	552,283	208,537	-	-	760,820
IMPROVEMENTS OTHER THAN BLDGS	3,061,014	210,882	-	-	3,271,896
MOBILE EQUIPMENT	1,580,390	101,001	(180,436)	(7,564)	1,493,391
FURNITURE AND EQUIPMENT	4,232,046	188,275	(42,669)	7,564	4,385,216
LEASED PROPERTY-CAPITAL LEASES	1,269,765	-	-	-	1,269,765
TOTAL DEPRECIABLE CAPITAL ASSETS	<u>43,955,108</u>	<u>708,695</u>	<u>(223,105)</u>	<u>-</u>	<u>44,440,698</u>
<b><u>LESS ACCUMULATED DEPRECIATION FOR:</u></b>					
BUILDINGS	10,993,934	504,371	-	-	11,498,305
BUILDINGS IMPROVEMENTS	49,390	30,433	-	-	79,823
IMPROVEMENTS OTHER THAN BLDGS	1,092,054	94,106	-	-	1,186,160
MOBILE EQUIPMENT	1,124,562	83,766	(162,392)	(2,140)	1,043,796
FURNITURE AND EQUIPMENT	3,143,063	829,143	(42,243)	2,140	3,932,103
LEASED PROPERTY-CAPITAL LEASES	508,217	107,757	-	-	615,974
TOTAL ACCUMULATED DEPRECIATION	<u>16,911,220</u>	<u>1,649,576</u>	<u>(204,635)</u>	<u>-</u>	<u>18,356,161</u>
TOTAL DEPR. CAPITAL ASSETS, NET	<u>27,043,888</u>	<u>(940,881)</u>	<u>(18,470)</u>	<u>-</u>	<u>26,084,537</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 27,226,793</u>	<u>\$ (701,689)</u>	<u>\$ (18,470)</u>	<u>\$ -</u>	<u>\$ 26,506,634</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 17,729
Support services	1,574,817
Non-instructional	<u>57,030</u>
Total depreciation expense	<u>\$1,649,576</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2009

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

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

	Balance <u>7/1/2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2009</u>
A. General obligation bonds payable	\$ 12,768,500	\$ -	\$ 873,500	\$ 11,895,000
B. Limited obligation bonds payable	6,290,000	5,973,000	6,290,000	5,973,000
C. Three mill notes payable	1,540,000	-	565,000	975,000
D. Obligations under capital leases	817,251	-	113,695	703,556
E. Compensated absences payable	191,352	133,427	-	324,779
	<u>\$ 21,607,103</u>	<u>\$ 6,106,427</u>	<u>\$ 7,842,195</u>	<u>\$ 19,871,335</u>

	Capital related due within <u>one year</u>	Non-capital related due within <u>one year</u>	Total amounts due within <u>one year</u>
A. General obligation bonds payable	\$ 607,500	\$ 202,500	\$ 810,000
B. Limited obligation bonds payable	235,000	-	235,000
C. Three mill notes payable	290,000	290,000	580,000
D. Obligations under capital leases	118,980	-	118,980
	<u>\$ 1,251,480</u>	<u>\$ 492,500</u>	<u>\$ 1,743,980</u>

	Capital related due beyond <u>one year</u>	Non-capital related due beyond <u>one year</u>	Total amounts due beyond <u>one year</u>
A. General obligation bonds payable	\$ 8,313,749	\$ 2,771,251	\$ 11,085,000
B. Limited obligation bonds payable	5,738,000	-	5,738,000
C. Three mill notes payable	197,500	197,500	395,000
D. Obligations under capital leases	584,576	-	584,576
E. Compensated absences payable	-	324,779	324,779
	<u>\$ 14,833,825</u>	<u>\$ 3,293,530</u>	<u>\$ 18,127,355</u>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2009

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

**A. General obligation bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2002	4.2 - 6.0%	4/1/2002	4/1/2018	\$8,000,000	\$6,365,000
General obligation bonds, Series 2002-A	3.5 - 4.10%	10/1/2002	10/1/2013	1,750,000	1,180,000
General obligation bonds, Series 2003-A	3.5 - 5.0%	4/15/2003	4/15/2019	5,250,000	4,350,000
Total				<u>\$15,000,000</u>	<u>\$11,895,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 810,000	\$ 496,425	\$ 1,306,425
2011	985,000	455,336	1,440,336
2012	1,110,000	410,313	1,520,313
2013	1,185,000	358,280	1,543,280
2014	1,405,000	308,605	1,713,605
2015-2019	6,400,000	775,139	7,175,139
Total	<u>\$ 11,895,000</u>	<u>\$ 2,804,098</u>	<u>\$14,699,098</u>

The amount of bonded indebtedness that can be incurred by the School District is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such District, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2009, the amount of outstanding bonded indebtedness was equal to 5.2% of property assessments as of October 1, 2008. This debt will be retired from the Bond Debt Service Fund.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2009

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

**B. Limited obligation bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement					
Bond Series 1998	4.5-6.75 %	6/1/1998	2/1/2018	\$8,575,000	\$5,973,000

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

Year Ending June 30,	Prineipal	Interest	Total
2009	\$ 235,000	\$ 195,574	\$ 430,574
2010	589,000	181,813	770,813
2011	609,000	161,803	770,803
2012	629,000	141,132	770,132
2013	650,000	119,772	769,772
2014 - 2018	3,261,000	250,800	3,511,800
<b>Total</b>	<b>\$ 5,973,000</b>	<b>\$ 1,050,894</b>	<b>\$ 7,023,894</b>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2009

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

**C. Three mill notes payable.**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2003	2.5-3.45 %	7/4/2003	6/1/2011	\$1,000,000	\$ 700,000
Limited Tax Notes, Series 2005	3.20%	4/15/2005	4/15/2011	350,000	275,000
Total				<u>\$1,350,000</u>	<u>\$ 975,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 580,000	\$ 120,549	\$ 700,549
2011	395,000	121,644	516,644
Total	<u>\$ 975,000</u>	<u>\$ 242,193</u>	<u>\$ 1,217,193</u>

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
Notes to Financial Statements  
For the Year Ended June 30, 2009

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

**D. Obligations under capital leases**

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

1. The school district has entered into a master lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of two buses, one 30 passenger mini bus, two driver's education ears, and two service trucks for a total of \$283,266 at 4.66%. The original issue date was October 17, 2001. This lease expires September 10, 2011, and does not contain any renewal options. The district will take possession of the assets at the expiration of the term. The debt will be retired from the General Fund. The amount outstanding on this lease at June 30, 2009 is \$62,085.
2. The school district has entered into a master lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of ten buses for a total of \$486,000 at 4.13%. The original issue date was September 10, 2004. This lease expires September 10, 2014, and does not contain any renewal options. The district will take possession of the assets at the expiration of the term. The debt will be retired from the General Fund. The amount outstanding on this lease at June 30, 2009 is \$293,181.
3. The school district has entered into a master lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of ten buses for a total of \$499,999 at 5.08%. The original issue date was May 23, 2008. This lease expires October 10, 2015, and does not contain any renewal options. The district will take possession of the assets at the expiration of the term. The debt will be retired from the General Fund. The amount outstanding on this lease at June 30, 2009 is \$348,290.

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

Year Ending June 30,	Principle	Interest & Maintenance	Total
2010	\$ 118,980	\$ 31,307	\$ 150,287
2011	124,514	25,773	150,287
2012	117,018	19,984	137,002
2013	108,869	14,842	123,711
2014	113,937	9,775	123,712
2015-2016	120,238	5,256	125,494
Total	\$ 703,556	\$ 106,937	\$ 810,493

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2009

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

**E. Compensated absences payable.**

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

**(6) Defined Benefit Pension Plan.**

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2009 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2009, 2008 and 2007 were \$3,090,520, \$2,917,688 and \$2,729,263, respectively, which equaled the required contributions for each year.

**(7) Other Commitments.**

Operating leases:

The School District has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2009, amounted to \$115,178. Future lease payments for these leases are as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2010	\$ 114,623
2011	84,220
2012	26,744
2013	<u>6,548</u>
Total	<u>\$ 232,135</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2009

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**(8) Sixteenth Section Lands.**

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

Year Ending June 30,	Amount
2010	\$ 21,984
2011	21,278
2012	21,278
2013	30,041
2014	30,091
2015-2019	148,975
2020-2024	166,960
2025-2029	186,474
2030-2034	183,199
Thereafter	<u>356,868</u>
Total	<u>\$ 1,167,148</u>

**(9) Risk Management.**

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

# HATTIESBURG PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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**(10) Insurance Loss Recoveries**

The Hattiesburg Public School District received \$7,293 in insurance loss recoveries related to school bus damage during the 2008-2009 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other income and allocated among the expenditure function support services, 100%.

**(11) Subsequent Events.**

Subsequent to the fiscal year ending, the Hattiesburg School District obtained a Limited- Tax Note, Series 2009 (Qualified School Construction Bond) for \$3,000,000. The note will be due yearly in the amount of \$200,000 with interest at 0.94%, maturing in 2024.

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2009**

**SCHEDULE 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 14,721,757	\$ 15,069,229	\$ 15,302,777	\$ 347,472	\$ 233,548
State sources	20,045,516	20,045,516	19,124,413	-	(921,103)
Federal sources	333,674	333,674	437,299	-	103,625
Total Revenues	35,100,947	35,448,419	34,864,489	347,472	(583,930)
<b>Expenditures:</b>					
Instruction	20,851,004	21,210,202	20,887,383	(359,198)	322,819
Support services	15,270,064	14,789,882	14,414,366	480,182	375,516
Noninstructional services	321,475	320,662	237,079	813	83,583
Facilities Acquisition & construction	-	240,000	285,330	(240,000)	(45,330)
Debt service:					
Principal	113,695	113,695	113,695	-	-
Interest	36,593	36,593	36,592	-	1
Total Expenditures	36,592,831	36,711,034	35,974,445	(118,203)	736,589
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	(1,491,884)	(1,262,615)	(1,109,956)	229,269	152,659
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	7,000	7,293	7,000	293
Sale of transportation property	-	-	4,760	-	4,760
Sale of other property	1,500	1,500	3,829	-	2,329
Indirect costs	95,000	111,445	-	16,445	(111,445)
Operating transfers in	5,638,015	5,853,719	588,386	215,704	(5,265,333)
Operating transfers out	(6,890,837)	(6,565,338)	(1,188,561)	325,499	5,376,777
Total Other Financing Sources (Uses)	(1,156,322)	(591,674)	(584,293)	564,648	7,381
<b>Net Change in Fund Balances</b>					
	(2,648,206)	(1,854,289)	(1,694,249)	793,917	160,040
<b>Fund Balances:</b>					
July 1, 2008	6,520,000	7,965,174	7,965,174	1,445,174	-
Increase (decrease) in reserve for inventory	-	26,422	26,537	26,422	115
June 30, 2009	\$ 3,871,794	\$ 6,137,307	\$ 6,297,462	\$ 2,265,513	\$ 160,155

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Title I Low Fund**  
**For the Year Ended June 30, 2009**

**SCHEDULE 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 3,345,678	\$ 4,107,183	\$ 3,030,171	\$ 761,505	\$ (1,077,012)
Total Revenues	3,345,678	4,107,183	3,030,171	761,505	(1,077,012)
<b>Expenditures:</b>					
Instruction	1,406,987	1,689,676	1,312,833	(282,689)	376,843
Support services	1,759,324	2,257,960	1,539,621	(498,636)	718,339
Noninstructional services	139,367	119,547	137,717	19,820	(18,170)
Total Expenditures	3,305,678	4,067,183	2,990,171	(761,505)	1,077,012
<b>Excess (Deficiency) of Revenues     Over Expenditures</b>	40,000	40,000	40,000	-	-
<b>Other Financing Sources (Uses):</b>					
Indirect costs transfers out	(40,000)	(40,000)	(40,000)	-	-
<b>Net Change in Fund Balances</b>	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2008			-	-	-
June 30, 2009	\$ -	\$ -	\$ -	\$ -	\$ -

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Hattiesburg Public School District Foundation Fund**  
**For the Year Ended June 30, 2009**

**SCHEDULE 3**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ 39,892	\$ 39,892	\$ 39,892	\$ -
Total Revenues	-	39,892	39,892	39,892	-
<b>Expenditures:</b>					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	-	-	-	-	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	39,892	39,892	39,892	-
<b>Other Financing Sources (Uses):</b>					
Indirect costs transfers out	-	-	-	-	-
Operating transfers out	-	(437,677)	(437,677)	(437,677)	-
<b>Net Change in Fund Balances</b>	-	(397,785)	(397,785)	(397,785)	-
<b>Fund Balances:</b>					
July 1, 2008	-	855,131	855,131	855,131	-
June 30, 2009	\$ -	\$ 457,346	\$ 457,346	\$ 457,346	\$ -

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2009**

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Budgetary Comparison Schedules

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Supplemental Information**

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	707,888
National school lunch program	10.555	1,756,107
Summer food service program for children	10.559	112,442
Total child nutrition cluster		<u>2,576,437</u>
Total U. S. Department of Agriculture		<u>2,576,437</u>
<b><u>U.S. Department of Defense</u></b>		
Direct programs:		
Reserve Officers' Training Corps	12.XXX	<u>70,689</u>
<b><u>Federal Communication Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>235,396</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Board for Community and Junior Colleges:		
Adult education - state grant program	84.002	<u>169,926</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	3,121,446
Career and technical education - basic grants to states	84.048	99,412
Safe and drug-free schools and communities - state grants	84.186	32,150
Foreign language assistance	84.293	9,201
Education technology state grants	84.318	122,229
Reading first state grants	84.357	443,760
English language acquisition grant	84.365	8,855
Improving teacher quality state grant	84.367	<u>913,182</u>
Total		<u>4,750,235</u>

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b>Passed-through Mississippi Department of Education (continued):</b>		
Special education eluster:		
Speeial education - grants to states	84.027	1,172,557
Speeial education - preschool grants	84.173	43,820
Total		<u>1,216,377</u>
Total passed-through Mississippi Department of Education		<u>6,136,538</u>
Total U.S. Department of Education		<u>6,136,538</u>
 <b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Health and Human Services:		
Child care and development bloek grant	93.575	108,337
Developmental disabilities basic support and advocacy grants	93.630	2,684
Medical Assistance Program	93.778	191,194
Total U.S. Department of Health and Human Services		<u>302,215</u>
 <b>Total for All Federal Awards</b>		 <b><u>\$ 9,321,275</u></b>

**NOTES TO THE SCHEDULE:**

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Instruction, Administrative, and Other Expenditures – Governmental Funds**  
**For the Year Ended June 30, 2009**

<u>Expenditures</u>	<u>Total</u>	Instructional and Other Student Instructional <u>Expenditures</u>	General <u>Administration</u>	School <u>Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 35,748,236	\$ 27,622,286	\$ 1,376,979	\$ 2,391,396	\$ 4,357,575
Other	<u>21,242,154</u>	<u>4,676,183</u>	<u>683,821</u>	<u>298,181</u>	<u>15,583,969</u>
<b>Total</b>	<b><u>\$ 56,990,390</u></b>	<b><u>\$ 32,298,469</u></b>	<b><u>\$ 2,060,800</u></b>	<b><u>\$ 2,689,577</u></b>	<b><u>\$ 19,941,544</u></b>
Total number of students *	<u>4218</u>				
Cost per student	<u>\$ 13,511</u>	<u>\$ 7,657</u>	<u>\$ 489</u>	<u>\$ 638</u>	<u>\$ 4,728</u>

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

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

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

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

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

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Other Supplemental Information**

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

"UNAUDITED"

	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>
<b>Revenues:</b>				
Local sources	\$ 15,302,777	\$ 14,951,565	\$ 14,845,983	\$ 13,651,362
State sources	19,124,413	19,185,343	18,259,685	17,662,550
Federal sources	437,299	294,717	723,830	312,341
Total Revenues	<u>34,864,489</u>	<u>34,431,625</u>	<u>33,829,498</u>	<u>31,626,253</u>
<b>Expenditures:</b>				
Instruction	20,887,383	19,320,249	19,855,374	15,280,782
Support services	14,414,366	13,852,143	12,656,511	10,366,644
Noninstructional services	237,079	308,443	212,501	166,098
Facilities acquisition and construction	285,330	758,363	395,522	312
<b>Debt service:</b>				
Principal	113,695	108,646	168,617	196,566
Interest	36,592	41,641	53,574	52,131
Total Expenditures	<u>35,974,445</u>	<u>34,389,485</u>	<u>33,342,099</u>	<u>26,062,533</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,109,956)</u>	<u>42,140</u>	<u>487,399</u>	<u>5,563,720</u>
<b>Other Financing Sources (Uses):</b>				
Inception of capital leases	-	-	-	504,797
Insurance loss recoveries	7,293	-	9,841	-
Sale of transportation equipment	4,760	-	-	11,295
Sale of other property	3,829	1,680	983	56,764
Operating transfers in	588,386	139,986	148,246	111,194
Operating transfers out	(1,188,561)	(1,290,585)	(1,342,817)	(1,308,967)
Total Other Financing Sources (Uses)	<u>(584,293)</u>	<u>(1,148,919)</u>	<u>(1,183,747)</u>	<u>(624,917)</u>
Net Change in Fund Balances	<u>(1,694,249)</u>	<u>(1,106,779)</u>	<u>(696,348)</u>	<u>4,938,803</u>
<b>Fund Balances:</b>				
July 1	7,965,174	9,086,433	9,769,786	4,782,222
Prior period adjustments	-	-	-	50,643
July 1, as restated	<u>7,965,174</u>	<u>9,086,433</u>	<u>9,769,786</u>	<u>4,832,865</u>
Increase (Decrease) in reserve for inventory	<u>26,537</u>	<u>(14,480)</u>	<u>12,995</u>	<u>(1,882)</u>
June 30	<u>\$ 6,297,462</u>	<u>\$ 7,965,174</u>	<u>\$ 9,086,433</u>	<u>\$ 9,769,786</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>
<b>Revenues:</b>				
Local sources	\$ 17,860,100	\$ 17,785,326	\$ 22,765,783	\$ 15,785,145
State sources	21,148,681	20,594,449	19,665,987	19,069,865
Federal sources	9,321,275	9,217,809	9,744,776	13,752,258
Sixteenth section sources	53,893	198,682	165,243	202,855
<b>Total Revenues</b>	<u>48,383,949</u>	<u>47,796,266</u>	<u>52,341,789</u>	<u>48,810,123</u>
<b>Expenditures:</b>				
Instruction	26,049,864	24,159,617	25,361,929	24,223,033
Support services	18,441,986	18,128,859	19,651,477	14,281,380
Noninstructional services	3,090,616	3,397,643	3,001,971	2,786,623
Sixteenth section	40,055	20,197	29,102	22,980
Facilities acquisition and construction	658,611	906,858	459,051	122,965
<b>Debt service:</b>				
Principal	7,842,195	1,870,646	1,912,827	1,826,324
Interest	862,993	982,407	1,074,579	1,150,349
Other	4,070	5,437	5,693	5,772
<b>Total Expenditures</b>	<u>56,990,390</u>	<u>49,471,664</u>	<u>51,496,629</u>	<u>44,419,426</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(8,606,441)</u>	<u>(1,675,398)</u>	<u>845,160</u>	<u>4,390,697</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of general obligation bonds	5,933,963	-	-	-
Inception of capital leases	-	-	-	504,797
Insurance loss recoveries	7,293	-	223,477	904,557
Sale of transportation equipment	4,760	-	-	11,295
Sale of other property	3,829	1,680	983	59,180
Operating transfers in	2,343,400	2,535,118	2,123,188	1,677,595
Operating transfers out	(2,343,400)	(2,535,118)	(2,123,188)	(1,677,595)
<b>Total Other Financing Sources (Uses)</b>	<u>5,949,845</u>	<u>1,680</u>	<u>224,460</u>	<u>1,479,829</u>
<b>Net Change in Fund Balances</b>	<u>(2,656,596)</u>	<u>(1,673,718)</u>	<u>1,069,620</u>	<u>5,870,526</u>

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

**Last Four Years**

"UNAUDITED"

	2009	2008*	2007*	2006*
Net Change in Fund Balances	(2,656,596)	(1,673,718)	1,069,620	5,870,526
Fund Balances:				
July 1,	15,074,313	16,754,067	15,664,813	9,764,867
Prior period adjustments	-	-	-	54,028
July 1, as restated	15,074,313	16,754,067	15,664,813	9,818,895
Increase (Decrease) in reserve for inventory	42,780	(6,036)	19,634	(24,608)
June 30	\$ 12,460,497	\$ 15,074,313	\$ 16,754,067	\$ 15,664,813

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Reports on Compliance and Internal Control**

# HOLT & ASSOCIATES, PLLC

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

Superintendent and School Board  
Hattiesburg Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hattiesburg Public School District as of and for the year ended June 30, 2009, which collectively comprise the Hattiesburg Public School District's basic financial statements and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the

of Findings and Questioned Costs as Findings 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2009-2 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 have reported to management of the school district in a separate letter dated December 2, 2009, which is included in this report.

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

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

*Holt + Associates PLLC*

December 2, 2009

# HOLT & ASSOCIATES, PLLC

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

Superintendent and School Board  
Hattiesburg Public School District

### Compliance

We have audited the compliance of Hattiesburg Public School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the school district's compliance with those requirements.

In our opinion, Hattiesburg Public School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2009-3 through 2009-6.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2009-7 and 2009-8 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2009-7 and 2009-8 to be material weaknesses.

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

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

*Holt + Associates PLLC*

December 2, 2009

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

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

# HOLT & ASSOCIATES, PLLC



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

Superintendent and School Board  
Hattiesburg Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hattiesburg Public School District as of and for the year ended June 30, 2009, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated November 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The District reported \$14,739 of classroom supply funds carried over from previous years.

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

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

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

**Finding #1:**

During our testing of expenditures, we noted that one sole-source purchase was not approved by the school board nor noted in the minutes.

Recommendation

According to Section 31-7-13(viii), sole source purchases must be approved by the board and noted in the minutes. We recommend that all sole source purchases be approved by the school board.

District Response

District policy required that all sole-source purchases be approved by the school board. Additional procedures are in place to ensure that each sole-source purchase is approved by the board in a timely manner.

**Finding #2**

During our testing of expenditures, we noted that a performance bond payable was not received by the school district on the construction of the bus parking/drop off at Grace Christian Elementary School.

Recommendation

According to Section 31-5-51, a performance bond payable must be obtained for any construction exceeding \$25,000. We recommend that the school district obtain a performance bond payable for any construction that exceeds \$25,000.

District Response

The Purchasing Manager has new procedures in place to ensure that a copy of any required performance bond is on file at the Business Office before issuing a purchase order.

Finding #3

We determined that the request for ad valorem was ealculated incorrectly causing an over-request of \$311,265. However, when the request was compared to the amount allowed to be requested it did not result in an ad valorem tax escrow for the year.

Recommendation

We recommend the school district closely monitor the annual computation of the annual tax request for compliance with Section 37-57-104 and Section 37-57-105, Miss Code Ann. (1972).

District Response

The Business Manager will closely monitor the computation of the annual tax request to ensure accuracy.

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

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

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

*Holt + Associates PLLC*

December 2, 2009

**HATTIESBURG PUBLIC SCHOOL DISTRICT**

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

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

***Financial Statements:***

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

***Federal Awards:***

- |  |             |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | Yes         |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses?   | No          |
| 6. Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133?   | Yes         |
| 7. Federal programs identified as major programs:  |             |
| a. Cluster: Nutrition Cluster  |             |
| CFDA #10.553   |             |
| CFDA #10.555   |             |
| CFDA #10.559   |             |
| b. Title I- Grants to Local Education Agencies   |             |
| CFDA #84.010   |             |
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9. Auditee qualified as a low-risk auditee?  | No          |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | Yes         |

**Section 2: Financial Statement Findings**

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

**Finding 2009-1**

During testing of expenditures, we noted that several purchase orders did not have sufficient descriptions of items being purchased. Furthermore, several purchase orders did not include shipping in the total. We had one instance in which a receiving report was not attached. An effective internal control system requires timely payments for expenditures. We found there were several invoices that were not paid within forty-five days.

**Recommendation**

Purchase orders should be completed with all correct information, including proper descriptions of items being purchased. All invoices should have a receiving report attached. Invoices should be processed and paid promptly. Vendor statements should be reviewed to determine if any outstanding invoices have not been processed for payments.

**Significant Deficiency considered to be Material Weakness**

**Finding 2009-2**

During testing of activity funds, we noted that deposits were not being made on a daily basis. One deposit was made two months after receipt. Furthermore, one activity fund did not complete receipts for deposits.

**Recommendation**

The school district should continue to account for all receipts each month to determine that the controls in place are being completed correctly.

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

**Instances of Non-Compliance**

**Finding 2009-3**

Program: Title I- Grants to Local Education Agencies - CFDA #84.010

Condition: While observing inventory purchased with federal monies, it was noted that a computer purchased was not tagged properly.

Criteria: Compliance with the equipment and real property management with federal laws pursuant to the grant agreement.

Effect: The school district did not comply with federal legal compliance.

Recommendation: All school district equipment should be properly maintained and tagged for ownership of the school district. Federally funded equipment should be maintained as required by federal laws

**Finding 2009-4**

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

Condition: While observing inventory purchased with federal monies, it was noted that a computer purchased was not tagged properly.

Criteria: Compliance with the equipment and real property management with federal laws pursuant to the grant agreement.

Effect: The school district did not comply with federal legal compliance

Recommendation: All school district equipment should be properly maintained and tagged for ownership of the school district. Federally funded equipment should be maintained as required by federal laws.

**Finding 2009-5**

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

Condition: For testing compliance with eligibility requirements, we selected forty students from the list of students to pull the application. As in the prior year, it was difficult for the secretary to pull these applications and out of the forty, two applications could not be found. Six of the direct certifications documentation could not be found for verification of this.

Of the applications that were found and tested, one did not have the adult's social security number and it was not marked that they did not have one; one did not have the adult's signature; one did not have the portion for office determination completed. Furthermore, one should have been paid based on the information provided and was given reduced status. Also, there were two separate applications completed for different children but the same adult and address.

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

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

Recommendation: Applications could be filed by application file number which is given by the computer program. Applications should be reviewed carefully for completeness and returned to the parent if not complete.

**Finding 2009-6**

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

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

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

Effect: The school district received an overpayment of federal funds.

Recommendation: The school district should review procedures in place for preparation of the claims for reimbursement. The Food Service Director should review for accuracy.

**Significant Deficiencies considered to be Material Weaknesses**

**Finding 2009-7**

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

Condition: While observing the lunchroom procedures, the cashier made the cash in drawer balance to the computer printout. As reported in the prior year, shortages and overages are not being reported.

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

Effect: Cash shortages and overages are not being reported which could cause a misstatement of income. Also, underreporting of income would never be established or documented.

Recommendation: All managers/cashiers should be properly trained on how the procedures should be accomplished. While working the line as children/staff come through, they should not have to leave that location to attend to any other jobs.

**Finding 2009-8**

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

Compliance Requirement: Special Tests and Provisions

Condition: It appears through analysis of inventory that an excessive amount of food inventory was purchased and held at the end of the year in comparison with prior years.

Effect: By purchasing excessive inventory, the school district has incurred extra costs.

Recommendation: Schools should be careful to only order food and commodities as needed to not have excessive amounts at year end.



## Hattiesburg Public School District

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ANNIE P. WIMBISH, ED.D.  
SUPERINTENDENT

Financial & Compliance Audit Division

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As required by Section \_\_\_\_ .315(c) of OMB Circular A-133, the Hattiesburg Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2009:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2009-1	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action: Frank Aderholdt, Business Manager</p> <p>b. Corrective Action Planned: In accordance with procedures currently in place, invoices are processed and paid promptly once all required documentation is received in the Business Office. Occasionally, invoices are not paid within forty-five days due to clerical error or a delay in receiving reports, statements, or vendor invoices.”</p> <p>c. Anticipated Completion Date: The procedures are currently in place.</p>
2009-2	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action: Frank Aderholdt, Business Manager</p> <p>b. Corrective Action Planned: The Business Office will continue to monitor activity funds to account for all receipts each month. During the 2009-10 school year, the Business Office will conduct training sessions for administrators and school clerical personnel on proper procedures for timely deposits and preparation of activity fund transmittal reports. New procedures will be put in place as needed.</p> <p>c. Anticipated Completion Date: The procedures are currently in place.</p>
2009-3	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action Lisa Karmacharya, Title I Director</p> <p>b. Corrective Action Planned: School district equipment will be properly maintained and tagged for ownership by the school district as outlined in board policy and federal guidance. Federally funded equipment will be tagged with appropriate fixed asset tag and labeled “Purchase with Federal Funds.”</p>

- c. Anticipated Completion Date:  
These procedures are currently in place.
- 2009-4 a. Name(s) of Contact Person(s) Responsible for Corrective Action:  
Stephanie Hoze, Food Service Director
- b. Corrective Action Planned:  
All Child Nutrition equipment is properly maintained and tagged for ownership by the district after purchase and installation. Federally funded equipment is maintained as required by federal law.
- c. Anticipated Completion Date:  
The procedures are currently in place.
- 2009-5 a. Name(s) of Contact Person(s) Responsible for Corrective Action  
Stephanie Hoze, Food Service Director
- c. Corrective Action Planned:  
Family application filing procedures will be processed by the file number provided by the Horizon software instead of filing alphabetically by the parent's last name. This will allow application data to be retrieved faster.
- d. Antieipated Completion Date:  
These procedures are currently in place.
- 2009-6 a. Name(s) of Contact Person(s) Responsible for Correetive Action  
Stephanie Hoze, Food Service Director
- b. Corrective Action Planned:  
MDE, Office of Child Nutrition provided procedures through Ocean software that allows the revision of monthly claims for reimbursement of underpayment of meals. We are now able to request reimbursement for the highest enrollment date of ADA for each monthly claim.
- c. Anticipated Completion Date:  
These procedures are currently in place.
- 2009-7 a. Name(s) of Contact Person(s) Responsible for Corrective Action  
Stephanie Hoze, Food Service Director
- b. Corrective Action Planned:  
The daily reconciliation report will record the shortage/overage for the day to enable managers and cashiers to deposit the correct amount. We will continue the two party counting collection procedure with each daily bank deposit.

- c. Anticipated Completion Date:  
These procedures are currently in place.
- 2008-8
- a. Name(s) of Contact Person(s) Responsible for Corrective Action  
Stephanie Hoze, Food Service Director
  - b. Corrective Action Planned:  
Each school is careful to only order food and commodities as needed to avoid excessive amounts at the end of the year. Inventories will be monitored each month and adjustments made to reduce excess spending.
  - c. Anticipated Completion Date:  
These procedures are currently in place.

As required by Section \_\_.315(b) of OMB Circular A-133, the Hattiesburg Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

<u>Finding:</u>	<u>Corrective Action Taken:</u>
2008-1:	Repeating finding in this area.
2008-2:	Repeating finding in this area.
2008-3:	Repeating finding in this area.
2008-4:	Repeating finding in this area.
2008-5:	Repeating finding in this area.
2008-6:	Repeating finding in this area.
2008-7:	The school district no longer handles this program.