



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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

HATTIESBURG PUBLIC SCHOOL DISTRICT

TABLE OF CONTENTS

| | Pages |
|---|--------|
| INDEPENDENT AUDITOR'S REPORT | |
| Independent Auditor's Report on the Basic Financial Statements and Supplemental Information | 2-3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 6 - 13 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Exhibit A- Statement of Net Position | 15 |
| Exhibit B-Statement of Activities | 16 |
| Governmental Funds Financial Statements | |
| Exhibit C- Balance Sheet | 17 |
| Exhibit C-1-Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position | 18 |
| Exhibit D- Statement of Revenues, Expenditures and Changes in Fund Balances | 19 |
| Exhibit D-1- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 20 |
| Fiduciary Funds Financial Statements | |
| Exhibit E- Statement of Fiduciary Assets and Liabilities | 21 |
| Notes to the Financial Statements | 22-41 |
| REQUIRED SUPPLEMENTAL INFORMATION | |
| Budgetary Comparison Schedule – General Fund | 43 |
| Budgetary Comparison Schedule – Title I Fund | 44 |
| Notes to the Required Supplemental Information | 45 |
| SUPPLEMENTAL INFORMATION | |
| Schedule of Expenditures of Federal Awards | 47-48 |
| Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds | 49 |
| OTHER SUPPLEMENTAL INFORMATION | |
| Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years | 51 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years | 52 |
| REPORTS ON INTERNAL CONTROLS AND COMPLIANCE | |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 54-55 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance of Federal Awards by OMB Circular A-133 | 56-57 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS | 59 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 61 |

HATTIESBURG PUBLIC SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Hattiesburg Public School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Hattiesburg Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of the Hattiesburg Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hattiesburg Public School District's internal control over financial reporting and compliance.

Holt & Associates, PLLC

November 22, 2013

HATTIESBURG PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$3,001,625, which represents 14% increase from fiscal year 2012. Total net assets for 2012 increased \$444,115, including a prior period adjustment of \$15,477, which represents a 2.24% increase from fiscal year 2011.
- General revenues amounted to \$42,115,437 and \$37,150,298, or 79% and 75.10% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,150,760, or 21% of total revenues for 2013, and \$12,287,252, or 24.90% of total revenues for 2012.
- The District had \$50,264,572 and \$48,809,897 in expenses for fiscal years 2013 and 2012; only \$11,150,760 for 2013 and \$12,287,252 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$42,115,437 for 2013 and \$37,150,298 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$34,879,972.5 in revenues and \$35,174,943 in expenditures for 2013, and \$34,705,686 in revenues and \$34,962,627 in expenditures in 2012. The General Fund's fund balance decreased by \$690,934 including an increase in reserve for inventory of \$9,134 from 2012 to 2013, and decreased by \$281,454 including an increase in reserve for inventory of \$8,325, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$219,331 for 2013 and increased by \$1,073,192 for 2012. The decrease for 2013 was due primarily to the disposal of capital assets due to the tornado in February, 2013.
- Long-term debt decreased by \$2,470,580 for 2013 and increased by \$588,654 for 2012. This decrease for 2013 was due primarily to the repayment of principal. The liability for compensated absences decreased by \$42,353 for 2013 and increased by \$23,089 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

Fund Financial Statements

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

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of government's financial position. Assets exceeded liabilities by \$23,267,798 as of June 30, 2013.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | Percentage Change |
|--|----------------------|----------------------|------------------------------|
| Current assets | \$ 12,635,553 | \$ 12,295,336 | 3% |
| Restricted assets | 4,644,118 | 4,226,014 | 10% |
| Capital assets, net | <u>28,990,332</u> | <u>29,209,663</u> | -1% |
| Total assets | <u>46,270,003</u> | <u>45,731,013</u> | 1% |
| | | | |
| Current liabilities | 1,051,388 | 1,200,820 | -12% |
| Long-term debt outstanding | <u>21,951,087</u> | <u>24,264,020</u> | -10% |
| Total liabilities | <u>23,002,475</u> | <u>25,464,840</u> | -10% |
| | | | |
| Net position: | | | |
| Invested in capital assets, net of related debt | 15,861,736 | 15,154,488 | 5% |
| Restricted | 8,913,756 | 6,316,099 | 41% |
| Unrestricted | <u>(1,507,694)</u> | <u>(1,204,414)</u> | 25% |
| Total net position | <u>\$ 23,267,798</u> | <u>\$ 20,266,173</u> | 15% |

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

- Decrease in net capital assets in the amount of \$219,331
- Proceeds from issuance of shortfall notes payable in the amount of \$200,000
- The principal retirement of \$2,470,580.

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$53,266,197 and \$49,437,550 respectively. The total cost of all programs and services was \$50,264,572 for 2013 and \$48,809,897 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

| | <u>Year Ended</u> <u>June 30, 2013</u> | <u>Year Ended</u> <u>June 30, 2012</u> | <u>Percentage</u> <u>Change</u> |
|---|---|---|------------------------------------|
| Revenues: | | | |
| Program revenues | | | |
| Charges for services | \$ 413,720 | \$ 470,119 | -12% |
| Operating grants and contributions | 10,737,040 | 11,817,133 | -9% |
| General Revenues | | | |
| Property taxes | 18,352,626 | 17,874,171 | 3% |
| Grants and contributions not restricted | 18,993,941 | 19,057,295 | 0% |
| Unrestricted investment earnings | 48,177 | 32,088 | 50% |
| Sixteenth section sources | 79,898 | 49,041 | 63% |
| Other | <u>4,640,795</u> | <u>137,703</u> | 3270% |
| Total Revenues | <u>53,266,197</u> | <u>49,437,550</u> | 8% |
| Expenses: | | | |
| Instruction | 25,767,900 | 25,701,777 | 0% |
| Support Services | 20,154,857 | 19,037,361 | 6% |
| Non-instructional | 3,753,260 | 3,528,699 | 6% |
| Sixteenth section | 9,014 | 19,614 | -54% |
| Interest and other expenses on long-term liabilities | <u>579,541</u> | <u>522,446</u> | 11% |
| Total Expenses | <u>50,264,572</u> | <u>48,809,897</u> | 3% |
| Special item | - | (199,015) | 100% |
| Increase in Net Assets | 3,001,625 | 428,638 | 600% |
| Net position, July 1, | | | |
| as previously reported | 20,266,173 | 19,822,058 | 2% |
| Prior period adjustment | <u>-</u> | <u>15,477</u> | -100% |
| Net position, July 1, as restated | <u>20,266,173</u> | <u>19,837,535</u> | 2% |
| Net position, June 30 | <u>\$ 23,267,798</u> | <u>\$ 20,266,173</u> | 15% |

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

| | <u>Total Expenses</u> | | <u>Percentage Change</u> |
|---|-------------------------------|-------------------------------|------------------------------|
| | <u>2013</u> | <u>2012</u> | |
| Instruction | \$ 25,767,900 | \$ 25,701,777 | 0% |
| Support services | 20,154,857 | 19,037,361 | 6% |
| Noninstructional | 3,753,260 | 3,528,699 | 6% |
| Sixteenth section | 9,014 | 19,614 | -54% |
| Interest and other expenses on long-term liabilities | <u>579,541</u> | <u>522,446</u> | 11% |
| Total expenses | <u>\$ 50,264,572</u> | <u>\$ 48,809,897</u> | 3% |
| | <u>Net (Expense) Revenue</u> | | <u>Percentage Change</u> |
| | <u>2013</u> | <u>2012</u> | |
| Instruction | \$ (21,280,686) | \$ (20,109,282) | 6% |
| Support Services | (17,124,894) | (15,617,986) | 10% |
| Noninstructional | (119,677) | (271,558) | -56% |
| Sixteenth section | (9,014) | (19,614) | -54% |
| Interest and other expenses on long-term liabilities | <u>(579,541)</u> | <u>(504,205)</u> | 15% |
| Total net (expense) revenue | <u>\$ (39,113,812)</u> | <u>\$ (36,522,645)</u> | 7% |

- Net cost of governmental activities (\$39,113,812 for 2013 and \$36,522,645 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$18,352,626 for 2013 and \$17,874,171 for 2012) and state and federal revenues (\$18,993,941 for 2013 and \$19,057,295 for 2012). In addition, there was \$79,898 and \$49,041 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$48,177 for 2013 and \$32,088 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$16,388,471 an increase of \$933,949 which includes a decrease in reserve for inventory of \$12,669. \$5,207,654 or 32% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$11,180,817 or 68% is either non spendable, restricted, or assigned to indicate that it is not available for spending except only for the purpose to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$690,934 including an increase in reserve for inventory of \$9,143. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,333,251 including a decrease in reserve for inventory of \$21,812, due primarily to normal operations of the school district. The increase/ (decrease) in the fund balances for the other major funds were as follows:

| <u>Major Fund</u> | <u>Increase (Decrease)</u> |
|----------------------------|----------------------------|
| Title I Fund | \$ 0 |
| Tornado & Fire Damage Fund | \$ 3,136,440 |
| Bond Debt Service Fund | \$ (178,306) |
| 16 Section Principal Fund | \$ 0 |

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$50,504,859, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents a increase of \$520,705 from 2012. Total accumulated depreciation as of June 30, 2013, was \$21,514,527, and total depreciation expense for the year was \$1,212,553, resulting in total net capital assets of \$28,990,332.

Table 4
Capital Assets, Net of Accumulated Depreciation

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Percentage of Change</u> |
|-------------------------------------|----------------------|----------------------|---------------------------------|
| Land | \$ 471,296 | \$ 454,296 | 4% |
| Construction in progress | 419,490 | - | N/A |
| Buildings | 22,865,406 | 23,470,480 | -3% |
| Building improvements | 1,082,325 | 717,214 | 51% |
| Improvements other than buildings | 2,442,165 | 2,681,131 | -9% |
| Mobile equipment | 1,278,938 | 1,337,219 | -4% |
| Furniture and Equipment | 388,215 | 418,059 | -7% |
| Leased property under capital lease | <u>42,497</u> | <u>131,264</u> | -68% |
| Total | <u>\$ 28,990,332</u> | <u>\$ 29,209,663</u> | -1% |

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$21,951,085 in outstanding long-term debt, of which \$2,777,449 is due within one year. The liability for compensated absences decreased \$42,353 from the prior year.

**Table 5
Outstanding Long-Term Debt**

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>Percentage Change</u> |
|---|----------------------|----------------------|------------------------------|
| General obligation bonds payable | \$ 7,785,000 | \$ 9,020,000 | -14% |
| Limited obligation bonds payable | 3,911,000 | 4,540,000 | -14% |
| Three mill notes payable | 3,305,000 | 3,600,000 | -8% |
| Shortfall notes payable | 428,870 | 431,582 | -1% |
| Obligations under capital lease | 234,124 | 342,992 | -32% |
| Qualified school construction bonds payable | 6,000,000 | 6,000,000 | 0% |
| Compensated absences payable | <u>287,092</u> | <u>329,446</u> | -13% |
| Total | <u>\$ 21,951,086</u> | <u>\$ 24,264,020</u> | -10% |

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

CURRENT ISSUES

The Hattiesburg Public School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Hattiesburg Public School District, 301 Mamie Street, Hattiesburg, MS 39403.

HATTIESBURG PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

**HATTIESBURG PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT A

| | | Primary Government Governmental Activities |
|---|-----------|---|
| | | |
| ASSETS: | | |
| Cash and cash equivalents | \$ | 9,988,037 |
| Due from other governments | | 2,368,490 |
| Inventories | | 167,520 |
| Deferred charges | | 81,626 |
| Restricted assets | | 4,644,118 |
| Other receivables | | 30,150 |
| Capital assets, non-depreciable | | |
| Land | | 471,296 |
| Construction in progress | | 419,490 |
| Capital assets, net of accumulated depreciation | | |
| Buildings | | 22,865,406 |
| Building improvements | | 1,082,325 |
| Improvements other than buildings | | 2,442,165 |
| Mobile equipment | | 1,278,938 |
| Furniture and equipment | | 388,215 |
| Leased property under capital leases | | 42,497 |
| TOTAL ASSETS | | 46,270,273 |
| LIABILITIES: | | |
| Accounts payable and accrued liabilities | | 721,820 |
| Interest payable on long term liabilities | | 196,067 |
| Other payables | | 133,501 |
| Long-term liabilities (Due within one year) | | |
| Capital related liabilities | | 2,000,986 |
| Non-capital related liabilities | | 776,462 |
| Long-term liabilities (Due beyond one year) | | |
| Capital related liabilities | | 12,898,389 |
| Non-capital related liabilities | | 6,275,250 |
| TOTAL LIABILITIES | | 23,002,475 |
| NET POSITION: | | |
| Net investment in capital assets | | 15,861,736 |
| Restricted for: | | |
| Expendable: | | |
| School-based activities | | 1,131,824 |
| Debt service | | 2,072,777 |
| Capital improvements | | 2,644,186 |
| Unemployment benefits | | 157,381 |
| Non-expendable: | | |
| Sixteenth section | | 2,907,588 |
| Unrestricted: | | (1,507,694) |
| TOTAL NET POSITION | \$ | 23,267,798 |

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, 2013**

EXHIBIT B

Net (Expense) Revenue
and Changes in Net
Position

| Functions/Programs | Expenses | Program Revenues | | | Primary Government |
|---|----------------------|-------------------------|--|--|----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Instruction | \$ 25,767,900 | \$ 237,691 | \$ 4,249,523 | \$ - | (21,280,686) |
| Support services | 20,154,857 | 6,808 | 3,023,155 | - | (17,124,894) |
| Non-instructional | 3,753,260 | 169,221 | 3,464,362 | - | (119,677) |
| Sixteenth section | 9,014 | - | - | - | (9,014) |
| Interest and other expenses on long-term liabilities | <u>579,541</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(579,541)</u> |
| Total governmental activities | <u>\$ 50,264,572</u> | <u>413,720</u> | <u>10,737,040</u> | <u>-</u> | <u>(39,113,812)</u> |
| Taxes: | | | | | |
| | | | | | 16,454,764 |
| | | | | | 1,897,862 |
| Unrestricted grants & contributions: | | | | | |
| | | | | | 18,621,713 |
| | | | | | 372,228 |
| | | | | | 48,177 |
| | | | | | 79,898 |
| | | | | | <u>4,640,795</u> |
| | | | | | <u>42,115,437</u> |
| | | | | | <u>3,001,625</u> |
| | | | | | <u>20,266,173</u> |
| | | | | | <u>\$ 23,267,798</u> |

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2013

EXHIBIT C

MAJOR FUNDS

| | General Fund | Title I Fund | Fire Damage Fund | Tornado & Bond Debt Service Fund | 16th Section Principal Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------------|---------------------|-------------------|---------------------|----------------------------------|-----------------------------|--------------------------|--------------------------|
| ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ 4,125,256 | \$ 48,161 | \$ 3,350,798 | \$ 190,631 | \$ 2,918,626 | \$ 2,663,588 | \$ 13,297,060 |
| Cash with fiscal agents | - | - | - | - | - | 1,004,710 | 1,004,710 |
| Investments | - | - | - | - | - | 330,385 | 330,385 |
| Other receivables | - | - | - | - | - | 30,150 | 30,150 |
| Due from other governments | 906,923 | 526,621 | - | 43,011 | - | 891,935 | 2,368,490 |
| Due from other funds | 1,283,781 | 1,534 | - | - | - | 145,834 | 1,431,149 |
| Inventories and prepaid items | 106,165 | - | - | - | - | 61,355 | 167,520 |
| TOTAL ASSETS | \$ 6,422,125 | \$ 576,316 | \$ 3,350,798 | \$ 233,642 | \$ 2,918,626 | \$ 5,127,957 | \$ 18,629,464 |

LIABILITIES & FUND BALANCES:

| | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|---------------------|
| Liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 358,262 | \$ 60,392 | \$ 214,358 | \$ - | \$ - | \$ 88,808 | \$ 721,820 |
| Due to other funds | 221,783 | 515,924 | - | 197,007 | 11,038 | 573,421 | 1,519,173 |
| Advances from other funds | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - |
| Total Liabilities | \$ 580,045 | \$ 576,316 | \$ 214,358 | \$ 197,007 | \$ 11,038 | \$ 662,229 | \$ 2,240,993 |

Fund Balances:

| | | | | | | | |
|--|---------------------|-------------------|---------------------|-------------------|---------------------|---------------------|----------------------|
| Nonspendable: | | | | | | | |
| Inventory and prepaid items | 106,165 | - | - | - | - | 61,355 | 167,520 |
| Permanent fund principal | - | - | - | - | 2,907,588 | - | 2,907,588 |
| Restricted: | | | | | | | |
| Capital projects | - | - | 3,136,440 | - | - | 1,278,523 | 4,414,963 |
| Debt service | 273,521 | - | - | 36,635 | - | 2,004,165 | 2,314,321 |
| Grant activities | - | - | - | - | - | 820,222 | 820,222 |
| Unemployment benefits | - | - | - | - | - | 157,381 | 157,381 |
| Board designated activities | - | - | - | - | - | 144,082 | 144,082 |
| Advallorem Escrow | 220,243 | - | - | - | - | - | 220,243 |
| Assigned: | | | | | | | |
| Student activities | 34,497 | - | - | - | - | - | 34,497 |
| Unassigned | 5,207,654 | - | - | - | - | - | 5,207,654 |
| Total Fund Balances | \$ 5,842,080 | \$ - | \$ 3,136,440 | \$ 36,635 | \$ 2,907,588 | \$ 4,465,728 | \$ 16,388,471 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 6,422,125 | \$ 576,316 | \$ 3,350,798 | \$ 233,642 | \$ 2,918,626 | \$ 5,127,957 | \$ 18,629,464 |

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT C-1

Total Fund Balance - Governmental Funds \$ 16,388,471

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

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

| | | |
|--------------------------------------|---------------------|------------|
| Land | 471,296 | |
| Construction in progress | 419,490 | |
| Buildings | 36,423,306 | |
| Building improvements | 1,311,207 | |
| Improvements other than buildings | 3,932,600 | |
| Mobile equipment | 2,275,694 | |
| Furniture and equipment | 4,684,967 | |
| Leased property under capital leases | 986,299 | |
| Accumulated Depreciation | <u>(21,514,527)</u> | 28,990,332 |

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

| | | |
|-------------------------------------|------------------|---------------------|
| General obligation bonds | (7,785,000) | |
| Limited obligation bonds | (3,911,000) | |
| Three mill notes payable | (3,305,000) | |
| Shortfall notes payable | (428,870) | |
| Obligations under capital lease | (234,123) | |
| Qualified school construction bonds | (6,000,000) | |
| Accrued interest payable | (196,067) | |
| Bond premiums | (45,479) | |
| Deferred charges | 81,626 | |
| Compensated absences | <u>(287,092)</u> | <u>(22,111,005)</u> |

Total Net Position - Governmental Activities \$ 23,267,798

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT D

| | MAJOR FUNDS | | | | | | | Total Governmental Funds |
|--|-------------------|------------------|----------------------------------|------------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | General Fund | Title I Fund | Tornado & Fire Damage Fund | Bond Debt Service Fund | 16th Section Principal Fund | Other Governmental Funds | Total Governmental Funds | |
| Revenues: | | | | | | | | |
| Local Sources | \$ 16,742,055 | \$ 6,808 | \$ - | \$ 1,316,194 | \$ 11,038 | \$ 848,383 | \$ 18,924,478 | |
| State Sources | 17,799,329 | - | - | - | - | 1,972,094 | 19,771,423 | |
| Federal Sources | 338,588 | 3,654,579 | 33,640 | - | - | 5,932,751 | 9,959,558 | |
| Sixteenth Section Sources | - | - | - | - | - | 79,898 | 79,898 | |
| Total Revenues | 34,879,972 | 3,661,387 | 33,640 | 1,316,194 | 11,038 | 8,833,126 | 48,735,357 | |
| Expenditures: | | | | | | | | |
| Instruction | 20,206,182 | 1,464,030 | - | - | - | 4,273,519 | 25,943,731 | |
| Support Services | 14,424,037 | 1,818,103 | 1,598,498 | - | - | 1,684,992 | 19,525,630 | |
| Noninstructional Services | 189,272 | 269,254 | - | - | - | 3,297,728 | 3,756,254 | |
| Sixteenth Section | - | - | - | - | - | 9,014 | 9,014 | |
| Facilities Acquisition and Construction | 17,000 | - | - | - | - | 419,490 | 436,490 | |
| Debt Service: | | | | | | | | |
| Principal | 108,869 | - | - | 1,235,000 | - | 1,126,711 | 2,470,580 | |
| Interest | 229,583 | - | - | 256,900 | - | 60,797 | 547,280 | |
| Other | - | - | - | 2,600 | - | 3,735 | 6,335 | |
| Total Expenditures | 35,174,943 | 3,551,387 | 1,598,498 | 1,494,500 | - | 10,875,986 | 52,695,314 | |
| Excess (Deficiency) of Revenues Over Expenditures | (294,971) | 110,000 | (1,564,858) | (178,306) | 11,038 | (2,042,860) | (3,959,957) | |
| Other Financing Sources (Uses): | | | | | | | | |
| Bonds and Notes Issued | 200,000 | - | - | - | - | - | 200,000 | |
| Insurance Recovery | 5,277 | - | 4,701,298 | - | - | - | 4,706,575 | |
| Payments Held by Escrow Agent | - | - | - | - | - | 400,000 | 400,000 | |
| Payments to QSCB Debt Escrow Agent | - | - | - | - | - | (400,000) | (400,000) | |
| Operating Transfers In | 368,200 | - | - | - | - | 1,088,510 | 1,456,710 | |
| Operating Transfers Out | (978,583) | (110,000) | - | - | (11,038) | (357,089) | (1,456,710) | |
| Total Other Financing Sources (Uses) | (405,106) | (110,000) | 4,701,298 | - | (11,038) | 731,421 | 4,906,575 | |
| Net Change in Fund Balances | (700,077) | - | 3,136,440 | (178,306) | - | (1,311,439) | 946,618 | |
| Fund Balances: | | | | | | | | |
| July 1, 2012 | 6,533,014 | - | - | 214,941 | 2,907,588 | 5,798,979 | 15,454,522 | |
| Increase (Decrease) in Reserve for Inventory | 9,143 | - | - | - | - | (21,812) | (12,669) | |
| June 30, 2013 | 5,842,080 | - | 3,136,440 | 36,635 | 2,907,588 | 4,465,728 | 16,388,471 | |

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, 2013**

EXHIBIT D-1

Net Change in fund balances - governmental funds \$ 946,618

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

| | | | |
|----|---|--------------------|---------------------|
| 1. | Governmental fund report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| | Capital outlay | 1,168,957 | |
| | Depreciation expense | <u>(1,212,553)</u> | (43,596) |
| 2. | In the statement of activities, only the gain/loss on the sale of assets is reported, while in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in the net assets differs from the change in fund balance by the cost of the assets sold. | | (175,735) |
| 3. | The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and the difference between the carrying value of refunded debt and the acquisitions cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statements of activities. | | |
| | Issuance of shortfall notes payable | (200,000) | |
| | Payments of debt principal | 2,470,580 | |
| | Deferred charges associated with issuance of debt | (15,859) | |
| | Amortization of bond premiums | 9,095 | |
| | Accrued interest payable | <u>(19,162)</u> | 2,244,654 |
| 4. | Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: | | |
| | Change in compensated absences | 42,353 | |
| | Change in inventory reserve | <u>(12,669)</u> | <u>29,684</u> |
| | Change in net position of governmental activities | | <u>\$ 3,001,625</u> |

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2013**

EXHIBIT E

| | Agency Funds |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,567,010 |
| Due from other funds | 99,867 |
| TOTAL ASSETS | 1,666,877 |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 1,640,355 |
| Due to student clubs | 14,679 |
| Due to other funds | 11,843 |
| TOTAL LIABILITIES | \$ 1,666,877 |

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies (Continued)

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. 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 Fund - This fund accounts for the Title I federal program revenues and expenditures for the school district.

Tornado & Fire Damage Fund - A tornado damaged much of the school's facilities in February, 2013. This fund accounts for the insurance proceeds and expenditures from those proceeds for repairs and replacement of capital assets.

Bond Issue Debt Service Fund - This fund serves to receive revenues and account for debt-related expenditures, such as principal and interest.

16th Section Principal Fund - This fund accounts for revenues from 16th section property that is nonexpendable by the school district.

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

The District's fiduciary funds include the following:

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

Clearing Funds - Accounts for claims and payroll liabilities.

GOVERNMENTAL FUNDS

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies (Continued)

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies (Continued)

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

The effect of inter-fund 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.

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

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies (Continued)

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.

3. Due from Other Governments

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

4. Inventories

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies (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 | * | * |
| Intangible assets | ** | ** |

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 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 liability for compensated absences 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 6 for details.

9. Fund Balances

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

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

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments. (Continued)

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$13,297,060 and \$1,567,010, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$9,988,037 and \$2,918,626 as restricted assets.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$16,129,012 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,004,710.

Investments

As of June 30, 2013, the district had the following investments.

| <u>Investment Type</u> | <u>Rating</u> | <u>Maturities (in years)</u> | <u>Fair Value</u> |
|-------------------------------------|---------------|----------------------------------|-------------------|
| Hancock Horizon Treasury Securities | | | |
| Class A Money Market Mutual Fund | AAA m | less than 1 | \$ 330,385 |
| Total Investments | | | <u>\$ 330,385</u> |

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments. (Continued)

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

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

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|-----------------------------|---------------------|
| General fund | Title I | \$ 515,924 |
| | Bond Debt Service Fund | 196,975 |
| | Other Governmental Funds | 570,882 |
| Title I Fund | General Fund | 1,534 |
| Other Governmental Funds | General Fund | 120,341 |
| | Bond Debt Service Fund | 32 |
| | 16th Section Principal Fund | 11,038 |
| | Fiduciary Funds | 11,843 |
| | Other Governmental Funds | 2,580 |
| Fiduciary Funds | General Fund | 99,908 |
| | Other Governmental Funds | (41) |
| Totals | | <u>\$ 1,531,016</u> |

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

B. Inter-fund Transfers

| <u>Transfers Out</u> | <u>Transfers In</u> | <u>Amount</u> |
|-----------------------------|--------------------------|---------------------|
| General Fund | Other Governmental Funds | \$ 978,583 |
| Title I Fund | General Fund | 110,000 |
| 16th Section Principal Fund | Other Governmental Funds | 11,038 |
| Other Governmental Funds | General Fund | 258,200 |
| | Other Governmental Funds | 98,889 |
| Totals | | <u>\$ 1,456,710</u> |

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

(4) Restricted Assets

The restricted assets represent the cash balance, totaling \$2,918,626 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance and amounts due from other governments, totaling \$330,385 and \$390,397, respectively, of the MAEP Limited Obligation Bond/Note Fund and the cash with fiscal agent balances of \$1,004,710 of the Qualified School Construction Bond Debt Service Asset Fund. Total restricted assets are \$4,644,118.

(5) Capital Assets

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

| | Balance | | | Balance |
|---|------------------------|-------------------------|-------------------------|-------------------------|
| | <u>7/1/2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/2013</u> |
| Governmental Activities: | | | | |
| <u>Non-depreciable capital assets:</u> | | | | |
| Land | \$ 454,296 | \$ 17,000 | \$ - | \$ 471,296 |
| Construction in progress | - | 419,490 | - | 419,490 |
| Total non-depreciable capital assets | <u>454,296</u> | <u>436,490</u> | <u>-</u> | <u>890,786</u> |
| <u>Depreciable capital assets</u> | | | | |
| Buildings | 36,550,455 | - | (127,149) | 36,423,306 |
| Building Improvements | 893,648 | 417,559 | - | 1,311,207 |
| Improvements other than buildings | 4,199,097 | - | (266,497) | 3,932,600 |
| Mobile equipment | 2,297,654 | 139,453 | (161,413) | 2,275,694 |
| Furniture and equipment | 4,602,705 | 175,455 | (93,193) | 4,684,967 |
| Leased property under capital lease | 986,299 | - | - | 986,299 |
| Total depreciable capital assets | <u>49,529,858</u> | <u>732,467</u> | <u>(648,252)</u> | <u>49,614,073</u> |
| <u>Less accumulated depreciation</u> | | | | |
| Buildings | 13,079,975 | 561,844 | (83,919) | 13,557,900 |
| Building Improvements | 176,434 | 52,448 | - | 228,882 |
| Improvements other than buildings | 1,517,966 | 127,042 | (154,573) | 1,490,435 |
| Mobile equipment | 960,435 | 181,593 | (145,272) | 996,756 |
| Furniture and equipment | 4,184,646 | 200,859 | (88,753) | 4,296,752 |
| Leased property under capital lease | 855,035 | 88,767 | - | 943,802 |
| Total accumulated depreciation | <u>20,774,491</u> | <u>1,212,553</u> | <u>(472,517)</u> | <u>21,514,527</u> |
| Total depreciable capital assets, net | <u>28,755,367</u> | <u>(480,086)</u> | <u>(175,735)</u> | <u>28,099,546</u> |
| Governmental activities capital assets, net | <u>\$ 29,209,663</u> | <u>\$ (43,596)</u> | <u>\$ (175,735)</u> | <u>\$ 28,990,332</u> |

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(5) Capital Assets (continued)

Depreciation expense was charged to the following governmental functions:

| | <u>Amount</u> |
|----------------------------|---------------|
| Instruction | \$ 27,923 |
| Support | 1,154,061 |
| Non-Instruction | 30,569 |
| Total Depreciation Expense | \$ 1,212,553 |

(6) Long-term Liabilities

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

| <u>Description</u> | <u>Balance</u> <u>7/1/2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/2013</u> | <u>Amounts due</u> <u>within</u> <u>one year</u> |
|---|-----------------------------------|-------------------|---------------------|------------------------------------|--|
| A. General obligation bonds payable | \$ 9,020,000 | \$ - | \$ 1,235,000 | \$ 7,785,000 | \$ 1,435,000 |
| B. Limited obligation bonds payable | 4,540,000 | - | 629,000 | 3,911,000 | 650,000 |
| C. Three mill note payable | 3,600,000 | - | 295,000 | 3,305,000 | 305,000 |
| D. Shortfall notes payable | 431,582 | 200,000 | 202,712 | 428,870 | 273,512 |
| E. Obligations under capital lease | 342,992 | - | 108,868 | 234,124 | 113,936 |
| F. Qualified school construction bond payable | 6,000,000 | - | - | 6,000,000 | - |
| G. Compensated absences payable | 329,446 | - | 42,353 | 287,093 | - |
| Subtotal | 24,264,020 | 200,000 | 2,512,933 | 21,951,087 | <u>\$ 2,777,448</u> |
| Bond Premiums | 54,572 | - | 9,093 | 45,479 | |
| Deferred amounts for refunding | (97,485) | - | (15,859) | (81,626) | |
| | <u>\$ 24,221,107</u> | <u>\$ 200,000</u> | <u>\$ 2,506,167</u> | <u>\$ 21,914,940</u> | |

A. General obligation bonds payable

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

| <u>Description</u> | <u>Interest</u> <u>Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount</u> <u>Issued</u> | <u>Amount</u> <u>Outstanding</u> |
|--|--------------------------------|-------------------|----------------------|--------------------------------|-------------------------------------|
| General obligation refunding series 2003-A | 3.5-5.0% | 4/15/2003 | 4/15/2019 | \$ 5,250,000 | \$ 3,400,000 |
| General obligation refunding series 2010 | 1.0-3.0% | 4/1/2011 | 4/1/2018 | 6,355,000 | 4,385,000 |
| Total | | | | <u>\$ 11,605,000</u> | <u>\$ 7,785,000</u> |

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(6) Long-term Liabilities (Continued)

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

1. General obligation bond issue of 4-15-03:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 375,000 | \$ 119,000 | \$ 494,000 |
| 2015 | 400,000 | 105,875 | 505,875 |
| 2016 | 450,000 | 91,875 | 541,875 |
| 2017 | 475,000 | 76,125 | 551,125 |
| 2018 | 525,000 | 59,500 | 584,500 |
| 2019 | <u>1,175,000</u> | <u>41,125</u> | <u>1,216,125</u> |
| Total | <u>\$ 3,400,000</u> | <u>\$ 493,500</u> | <u>\$ 3,893,500</u> |

This debt will be retired from the Bond Retirement Fund.

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 1,060,000 | \$ 108,825 | \$ 1,168,825 |
| 2015 | 790,000 | 87,625 | 877,625 |
| 2016 | 845,000 | 71,825 | 916,825 |
| 2017 | 825,000 | 50,700 | 875,700 |
| 2018 | <u>865,000</u> | <u>25,950</u> | <u>890,950</u> |
| Total | <u>\$ 4,385,000</u> | <u>\$ 344,925</u> | <u>\$ 4,729,925</u> |

This debt will be retired from the Bond Retirement Fund.

Total general obligation bond payments for all issues:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 1,435,000 | \$ 227,825 | \$ 1,662,825 |
| 2015 | 1,190,000 | 193,500 | 1,383,500 |
| 2016 | 1,295,000 | 163,700 | 1,458,700 |
| 2017 | 1,300,000 | 126,825 | 1,426,825 |
| 2018 | 1,390,000 | 85,450 | 1,475,450 |
| 2019 | # <u>1,175,000</u> | <u>41,125</u> | <u>1,216,125</u> |
| Total | <u>\$ 7,785,000</u> | <u>\$ 838,425</u> | <u>\$ 8,623,425</u> |

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(6) Long-term Liabilities (Continued)

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2012.

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 are currently outstanding are as follows:

| <u>Description</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|---|----------------------|-------------------|----------------------|----------------------|---------------------------|
| 1. State aid capital refunding bonds, series 2008 | 3.34% | 7/31/2008 | 2/1/2018 | \$ 5,973,000 | \$ 3,911,000 |
| Total | | | | <u>\$ 5,973,000</u> | <u>\$ 3,911,000</u> |

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

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 650,000 | \$ 119,773 | \$ 769,773 |
| 2015 | 672,000 | 97,695 | 769,695 |
| 2016 | 694,000 | 74,883 | 768,883 |
| 2017 | 718,000 | 51,303 | 769,303 |
| 2018 | <u>1,177,000</u> | <u>26,921</u> | <u>1,203,921</u> |
| Total | <u>\$ 3,911,000</u> | <u>\$ 370,576</u> | <u>\$ 4,281,576</u> |

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(6) Long-term Liabilities (Continued)

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$5,973,000 in limited obligation bonds payable issued. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education program and are payable through February 1, 2018. Annual principal and interest payments on the bonds are expected to require approximately one-half (1/2) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$4,281,576. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were \$770,132 and \$17,358,769, respectively.

C. Three mill notes payable

Debt currently outstanding is as follows:

| <u>Description</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|-----------------------------------|----------------------|-------------------|----------------------|----------------------|---------------------------|
| 1. Limited tax notes, Series 2011 | 2.84% | 3/7/2011 | 3/9/2019 | \$ 1,000,000 | \$ 800,000 |
| 2. Limited tax notes, Series 2012 | 2.42% | 6/15/2012 | 6/15/2025 | <u>2,700,000</u> | <u>2,505,000</u> |
| Total | | | | <u>\$ 3,700,000</u> | <u>\$ 3,305,000</u> |

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

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-------------------|------------------|-------------------|
| 2014 | \$ 110,000 | \$ 22,720 | \$ 132,720 |
| 2015 | 120,000 | 19,596 | 139,596 |
| 2016 | 130,000 | 16,188 | 146,188 |
| 2017 | 140,000 | 12,496 | 152,496 |
| 2018 | 150,000 | 8,520 | 158,520 |
| 2019 | <u>150,000</u> | <u>4,260</u> | <u>154,260</u> |
| Total | <u>\$ 800,000</u> | <u>\$ 83,780</u> | <u>\$ 883,780</u> |

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(6) Long-term Liabilities (Continued)

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

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

| Year Ending | | | |
|-------------|---------------------|-------------------|---------------------|
| June 30 | Principal | Interest | Total |
| 2014 | \$ 195,000 | \$ 54,050 | \$ 249,050 |
| 2015 | 205,000 | 51,369 | 256,369 |
| 2016 | 205,000 | 48,294 | 253,294 |
| 2017 | 205,000 | 45,219 | 250,219 |
| 2018 | 205,000 | 41,888 | 246,888 |
| 2019-2023 | 1,080,000 | 147,163 | 1,227,163 |
| 2024-2025 | 410,000 | 19,476 | 429,476 |
| Total | <u>\$ 2,505,000</u> | <u>\$ 407,459</u> | <u>\$ 2,912,459</u> |

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

Total payments for all Limited Tax Notes:

| Year Ending | | | |
|-------------|---------------------|-------------------|---------------------|
| June 30 | Principal | Interest | Total |
| 2014 | \$ 305,000 | \$ 76,770 | \$ 381,770 |
| 2015 | 325,000 | 70,965 | 395,965 |
| 2016 | 335,000 | 64,482 | 399,482 |
| 2017 | 345,000 | 57,715 | 402,715 |
| 2018 | 355,000 | 50,408 | 405,408 |
| 2019-2023 | 1,230,000 | 151,423 | 1,381,423 |
| 2024-2025 | 410,000 | 19,476 | 429,476 |
| Total | <u>\$ 3,305,000</u> | <u>\$ 491,239</u> | <u>\$ 3,796,239</u> |

D. Shortfall notes payable

Debt currently outstanding is as follows:

| <u>Description</u> | Interest | | Amount | | Amount |
|--|-------------|-------------------|----------------------|-------------------|--------------------|
| | <u>Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Issued</u> | <u>Outstanding</u> |
| 1. Revenue shortfall note, series 2010 | 2.73% | 7/12/2010 | 7/12/2013 | \$ 550,000 | \$ 188,284 |
| 2. Revenue shortfall note, series 2011 | 2.99% | 8/10/2011 | 8/10/2014 | 60,000 | 40,586 |
| 3. Revenue shortfall note, series 2012 | 2.15% | 7/25/2012 | 7/25/2015 | <u>200,000</u> | <u>200,000</u> |
| Total | | | | <u>\$ 810,000</u> | <u>\$ 428,870</u> |

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(6) Long-term Liabilities (Continued)

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

1. Shortfall notes payable issue of 7/12/2010:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|------------------|-----------------|--------------|
| 2014 | \$ 188,284 | \$ 5,140 | \$ 193,424 |

This note will be retired from the General Fund.

2. Shortfall notes payable issue of 8/10/2011:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|------------------|-----------------|------------------|
| 2014 | \$ 19,994 | \$ 1,213 | \$ 21,207 |
| 2015 | <u>20,592</u> | <u>616</u> | <u>21,208</u> |
| Total | <u>\$ 40,586</u> | <u>\$ 1,829</u> | <u>\$ 42,415</u> |

This note will be retired from the General Fund.

3. Shortfall notes payable issue of 7/25/2012:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|-------------------|-----------------|-------------------|
| 2014 | \$ 65,234 | \$ 4,360 | \$ 69,594 |
| 2015 | 66,656 | 2,938 | 69,594 |
| 2016 | <u>68,110</u> | <u>1,484</u> | <u>69,594</u> |
| Total | <u>\$ 200,000</u> | <u>\$ 8,782</u> | <u>\$ 208,782</u> |

This note will be retired from the General Fund.

Shortfall notes payable for all issues:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|-------------------|------------------|-------------------|
| 2014 | \$ 273,512 | \$ 10,713 | \$ 284,225 |
| 2015 | 87,248 | 3,554 | 90,802 |
| 2016 | <u>68,110</u> | <u>1,484</u> | <u>69,594</u> |
| Total | <u>\$ 428,870</u> | <u>\$ 15,751</u> | <u>\$ 444,621</u> |

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(6) Long-term Liabilities (Continued)

E. Obligations under capital lease

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

The various options available to the District for these leases are as follows:

1. The School District has entered into a master lease agreement for the lease of ten buses for a total of \$486,300 at 4.13% interest. The original issue date was September 10, 2004. This lease expires September 10, 2014, and does not contain any renewal options. The District will take possession of the assets at the end of the lease term. This debt will be retired from the General Fund. The amount outstanding on this lease at June 30, 2013, is \$86,585.
2. The School District has entered into a master lease agreement for the lease of ten buses for a total of \$499,999 at 5.08% interest. The original issue date was May 23, 2008. This lease expires October 10, 2015, and does not contain any renewal options. The district will take possession of the assets at the end of the lease term. This debt will be retired from the General Fund. The amount outstanding on this lease at June 30, 2013, is \$147,538.

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

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|-------------------|------------------|-------------------|
| 2014 | \$ 113,936 | \$ 9,775 | \$ 123,711 |
| 2015 | 89,180 | 4,468 | 93,648 |
| 2016 | <u>31,008</u> | <u>788</u> | <u>31,796</u> |
| Total | <u>\$ 234,124</u> | <u>\$ 15,031</u> | <u>\$ 249,155</u> |

F. Qualified school construction bond payable

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(6) Long-term Liabilities (Continued)

The School District has pledged a portion of future state Education Enhancement Fund revenue to repay \$3,000,000 in Qualified School Construction Bonds issued December 1, 2010. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Education Enhancement Fund and other district funds and are payable through December 1, 2025. Annual principal and interest payments on the bonds are expected to require all of such state revenues, with the remaining amounts to be paid through revenues received from a local debt service tax levy. As further explained in Note 12, total annual sinking fund payments remaining to be paid on the Series 2010 bond is \$2,600,000. Sinking fund payments for the current year and total Education Enhancement fund pledged revenues were \$200,000 and \$173,863, respectively.

G. 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.

(7) Short-Term Financing

During the fiscal year ended June 30, 2013, the School District participated in the following short-term financing for the purpose of funding a revenue anticipation note.

The School District used a revenue anticipation note payable to Trustmark National Bank on December 14, 2012. The proceeds from this issuance were used to provide positive cash flows in the General Fund during the months preceding major ad valorem tax collections. Once the District's cash flows were positive, the District made a payment consisting of principal and interest to the bank to repay the short term debt. The debt was paid in full on April 11, 2013, and carried an interest rate of 1.17%.

| <u>Description</u> | <u>Balance</u> <u>July 1, 2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2013</u> |
|---------------------------|---------------------------------------|------------------|-------------------|--|
| Revenue Anticipation Note | \$ - | \$ 2,275,000 | \$ 2,275,000 | \$ - |

(8) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2012 was 14.26% 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, 2013, 2012 and 2011 were \$3,725,885, \$3,306,966 and \$3,020,735, respectively, which equaled the required contributions for each year.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(9) Sixteenth Section Lands

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

| <u>June 30</u> | <u>Amount</u> |
|----------------|---------------------|
| 2014 | \$ 41,435 |
| 2015 | 40,335 |
| 2016 | 39,769 |
| 2017 | 39,769 |
| 2018 | 39,769 |
| 2019-2023 | 198,736 |
| 2024-2028 | 190,816 |
| 2029-2033 | 170,596 |
| 2034-2038 | 139,009 |
| 2039-2043 | 101,034 |
| Thereafter | <u>1,001,265</u> |
| Total | <u>\$ 2,002,533</u> |

(10) Contingencies

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

(11) Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the 2011-2012 fiscal year, the district began carrying commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in the past fiscal years.

(12) Qualified School Construction Bonds

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(12) Qualified School Construction Bonds (continued)

The school district makes equal annual payments into a sinking fund which is used to pay-off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$1,004,710. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

The following schedule reports the annual deposits to be made to the sinking fund by the school district.

| Year Ending | 2009 Series | 2010 Series | Total |
|----------------|---------------------|---------------------|---------------------|
| <u>June 30</u> | | | |
| 2014 | \$ 200,000 | \$ 200,000 | \$ 400,000 |
| 2015 | 200,000 | 200,000 | 400,000 |
| 2016 | 200,000 | 200,000 | 400,000 |
| 2017 | 200,000 | 200,000 | 400,000 |
| 2018 | 200,000 | 200,000 | 400,000 |
| 2019-2023 | 1,000,000 | 1,000,000 | 2,000,000 |
| 2024-2027 | <u>400,000</u> | <u>600,000</u> | <u>1,000,000</u> |
| Total | <u>\$ 2,400,000</u> | <u>\$ 2,600,000</u> | <u>\$ 5,000,000</u> |

(13) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Hattiesburg Public School District evaluated the activity of the district through November 22, 2013, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

In September 2013, the maintenance building was totally destroyed by fire. All contents and three vehicles were also destroyed. As of the report date, the school district has received the full insurance settlement of \$745,313.00 on the building and contents and \$68,907.42 on the vehicles. The school district plans to rebuild on the same site and replace contents and vehicles during the current fiscal year.

On September 10, 2013, the school district issued \$3,375,000 in general obligation refunding bonds, series 2013 (the "Refunding Bonds"). A portion of the proceeds of the refunding bonds were used to refund the entire outstanding principal amount (2014 through 2019 maturities) plus accrued interest of the District's Series 2003 general obligation bonds.

REQUIRED SUPPLEMENTAL INFORMATION

**HATTIESBURG PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 1a

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variances</u> | |
|--|-------------------------|---------------------|---------------------|----------------------------|------------------------|
| | | | | <u>Positive (Negative)</u> | |
| | <u>Original</u> | <u>Final</u> | <u>(GAAP Basis)</u> | <u>Original to Final</u> | <u>Final to Actual</u> |
| Revenues: | | | | | |
| Local Sources | \$ 16,377,241 | \$ 16,439,565 | \$ 16,742,055 | \$ 62,324 | \$ 302,490 |
| State Sources | 17,713,492 | 17,815,512 | 17,799,329 | 102,020 | (16,183) |
| Federal Sources | <u>768,052</u> | <u>768,052</u> | <u>338,588</u> | - | <u>(429,464)</u> |
| Total Revenues | <u>34,858,785</u> | <u>35,023,129</u> | <u>34,879,972</u> | <u>164,344</u> | <u>(143,157)</u> |
| Expenditures: | | | | | |
| Instruction | 20,519,269 | 20,165,259 | 20,206,182 | (354,010) | (40,923) |
| Support Services | 15,175,892 | 14,893,870 | 14,424,037 | (282,022) | 469,833 |
| Noninstructional Services | 200,083 | 189,939 | 189,272 | (10,144) | 667 |
| Facilities Acquisition & Construction | - | - | 17,000 | - | (17,000) |
| Debt Service | <u>338,352</u> | <u>338,352</u> | <u>338,452</u> | - | <u>(100)</u> |
| Total Expenditures | <u>36,233,596</u> | <u>35,587,420</u> | <u>35,174,943</u> | <u>(646,176)</u> | <u>412,477</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(1,374,811)</u> | <u>(564,291)</u> | <u>(294,971)</u> | <u>810,520</u> | <u>269,320</u> |
| Other Financing Sources (Uses): | | | | | |
| Bonds and Notes Issued | 200,000 | 200,000 | 200,000 | - | - |
| Insurance Recovery | 1,000 | 1,000 | 5,277 | - | 4,277 |
| Payments to QSCB Debt Escrow Agent | - | - | - | - | - |
| Operating Transfers In | 215,000 | 368,549 | 368,200 | 153,549 | (349) |
| Operating Transfers Out | <u>(596,870)</u> | <u>(977,847)</u> | <u>(978,583)</u> | <u>(380,977)</u> | <u>(736)</u> |
| Total Other Financing Sources (Uses) | <u>(180,870)</u> | <u>(408,298)</u> | <u>(405,106)</u> | <u>(227,428)</u> | <u>3,192</u> |
| Net Change in Fund Balance | <u>(1,555,681)</u> | <u>(972,589)</u> | <u>(700,077)</u> | <u>583,092</u> | <u>272,512</u> |
| Fund Balances: | | | | | |
| July 1, 2012 | 6,000,000 | 6,515,258 | 6,533,014 | 515,258 | 17,756 |
| Increase (decrease) in reserve for inventory | - | <u>9,144</u> | <u>9,143</u> | <u>9,144</u> | <u>1</u> |
| June 30, 2013 | <u>\$ 4,444,319</u> | <u>\$ 5,551,813</u> | <u>\$ 5,842,080</u> | <u>\$ 1,107,494</u> | <u>\$ 290,269</u> |

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

**HATTIESBURG PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND
FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 1b

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|------------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Local Sources | \$ - | \$ - | \$ 6,808 | \$ - | \$ 6,808 |
| Federal Sources | 2,744,173 | 4,390,926 | 3,654,579 | 1,646,753 | (736,347) |
| Total Revenues | <u>2,744,173</u> | <u>4,390,926</u> | <u>3,661,387</u> | <u>1,646,753</u> | <u>(729,539)</u> |
| Expenditures: | | | | | |
| Instruction | 1,124,209 | 1,853,519 | 1,464,030 | 729,310 | 389,489 |
| Support Services | 1,315,203 | 2,077,395 | 1,818,103 | 762,192 | 259,292 |
| Noninstructional Services | 204,761 | 350,012 | 269,254 | 145,251 | 80,758 |
| Debt Service | - | - | - | - | - |
| Total Expenditures | <u>2,644,173</u> | <u>4,280,926</u> | <u>3,551,387</u> | <u>1,636,753</u> | <u>729,539</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>100,000</u> | <u>110,000</u> | <u>110,000</u> | <u>10,000</u> | <u>-</u> |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers Out | (100,000) | (110,000) | (110,000) | (10,000) | - |
| Total Other Financing Sources (Uses) | <u>(100,000)</u> | <u>(110,000)</u> | <u>(110,000)</u> | <u>(10,000)</u> | <u>-</u> |
| Net Change in Fund Balance | - | - | - | - | - |
| Fund Balances: | | | | | |
| July 1, 2012 | - | - | - | - | - |
| June 30, 2013 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(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 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, 2013**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Catalog of Federal Domestic Assistance Number | FEDERAL Expenditures |
|--|---|-------------------------|
| SCHEDULE 2 | | |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | |
| Passed-Through Mississippi Dept. of Education: | | |
| Child Nutrition Cluster: | | |
| School Breakfast Program | 10.553 | 928,903 |
| National School Lunch Program | 10.555 | 2,113,252 |
| Summer Food Service Program for Children | 10.559 | 89,408 |
| Total Child Nutrition Cluster | | 3,131,563 |
| Fresh fruits and vegetables grant | 10.582 | 125,174 |
| Total U.S. Dept. of Agriculture | | 3,256,737 |
| <u>FEDERAL COMMUNICATIONS COMMISSION</u> | | |
| Administered through the Universal Service Administrative Company: | | |
| The schools and libraries program of the universal service fund | 32.xxx | 276,894 |
| Total Federal Communications Commission | | 276,894 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | |
| Passed-Through Mississippi Dept. of Education: | | |
| Career and Technical Education-Basic Grants to States | 84.048 | 78,070 |
| English Language Acquisition Grants | 84.365 | 30,482 |
| Improving Teacher Quality - State Grants | 84.367 | 511,876 |
| Title I Grants to Local Educational Agencies | 84.010 | 3,809,404 |
| Special Education Cluster: | | |
| Special Education - Grants to States | 84.027 | 1,554,712 |
| Special Education - Preschool Grants | 84.173 | 45,071 |
| Total Special Education Cluster | | 1,599,783 |
| Adult Education - Basic Grants to States | 84.002 | 144,827 |
| Education fo Homeless Children and Youth | 84.196 | 11,958 |
| Total Passed-Through MDE | | 6,186,400 |
| Total U.S. Department of Education | | 6,186,400 |

**HATTIESBURG PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Catalog of Federal Domestic Assistance Number | SCHEDULE 2 Federal Expenditures |
|--|---|---------------------------------------|
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | |
| Passed-Through Mississippi Dept. of Education: | | |
| Medical Assistance Program | 93.778 | 30,467 |
| Total Passed-Through MDE | | 30,467 |
| Total U.S. Department of Health and Human Services | | 30,467 |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | |
| Direct Program: | | |
| Disaster Grants - Public Assistance | 97.036 | 10,103 |
| Total U.S. Department of Homeland Security | | 10,103 |
| <u>U.S. DEPARTMENT OF DEFENSE</u> | | |
| Direct Program: | | |
| Reserve officers' training corp | 12.xxx | 63,265 |
| Total U.S. Department of Defense | | 63,265 |
| Total for all Federal Awards | | \$ 9,823,866 |

NOTES TO THE SCHEDULE:

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| <u>Expenditures</u> | <u>Total</u> | <u>Instruction</u> | <u>General Administrative</u> | <u>School Administrative</u> | <u>Other</u> |
|--------------------------------|----------------------|----------------------|-----------------------------------|----------------------------------|----------------------|
| Salaries and fringe benefits | \$ 36,150,979 | \$ 22,933,083 | \$ 1,297,203 | \$ 2,361,361 | \$ 9,559,332 |
| Other | <u>\$ 16,544,335</u> | <u>3,010,648</u> | <u>672,352</u> | <u>249,422</u> | <u>12,611,913</u> |
| Total | <u>\$ 52,695,314</u> | <u>\$ 25,943,731</u> | <u>\$ 1,969,555</u> | <u>\$ 2,610,783</u> | <u>\$ 22,171,245</u> |
| Total number of students * | 4,635 | | | | |
| Cost per student \$ | \$ 11,368 | \$ 5,597 | \$ 425 | \$ 563 | \$ 4,783 |

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

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

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

OTHER INFORMATION

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

UNAUDITED

| | 2013 | 2012** | 2011** | 2010** |
|--|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | |
| Local Sources | \$ 16,742,055 | \$ 16,597,525 | \$ 16,453,694 | \$ 15,934,629 |
| Intermediate Sources | - | - | - | 400 |
| State Sources | 17,799,329 | 17,411,992 | 16,619,153 | 17,393,553 |
| Federal Sources | <u>338,588</u> | <u>696,169</u> | <u>309,378</u> | <u>400,303</u> |
| Total Revenues | <u>34,879,972</u> | <u>34,705,686</u> | <u>33,382,225</u> | <u>33,728,885</u> |
| Expenditures | | | | |
| Instruction | 20,206,182 | 19,638,717 | 18,201,775 | 19,171,246 |
| Support Services | 14,424,037 | 14,808,686 | 13,738,370 | 14,220,163 |
| Noninstructional Services | 189,272 | 184,791 | 151,446 | 223,545 |
| Sixteenth Section | - | - | - | - |
| Facilities Acquisition and Construction | 17,000 | | | |
| Debt Service: | | | | |
| Principal | 108,869 | 295,435 | 124,513 | 118,980 |
| Interest | <u>229,583</u> | <u>34,998</u> | <u>25,774</u> | <u>31,307</u> |
| Total Expenditures | <u>35,174,943</u> | <u>34,962,627</u> | <u>32,241,878</u> | <u>33,765,241</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | <u>(294,971)</u> | <u>(256,941)</u> | <u>1,140,347</u> | <u>(36,356)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds and Notes Issued | 200,000 | - | 550,000 | - |
| Insurance Recovery | 5,277 | 54,692 | - | - |
| Proceeds of shortfall note | - | 60,000 | - | - |
| Operating Transfers In | 368,200 | 522,324 | - | 670,909 |
| Other financing sources | - | - | 490,072 | - |
| Operating Transfers Out | <u>(978,583)</u> | <u>(669,854)</u> | <u>(831,494)</u> | <u>(1,512,457)</u> |
| Total Other Financing Sources (Uses) | <u>(405,106)</u> | <u>(32,838)</u> | <u>208,578</u> | <u>(841,548)</u> |
| NET CHANGE IN FUND BALANCES | <u>(700,077)</u> | <u>(289,779)</u> | <u>1,348,925</u> | <u>(877,904)</u> |
| FUND BALANCES: | | | | |
| Beginning of period, as originally reported | 6,533,014 | 6,814,468 | 5,410,449 | 6,297,462 |
| Prior period adjustment | <u>-</u> | <u>-</u> | <u>59,919</u> | <u>-</u> |
| Beginning of period, as restated | <u>6,533,014</u> | <u>6,814,468</u> | <u>5,470,368</u> | <u>6,297,462</u> |
| Increase (Decrease) in Reserve for Inventory | <u>9,143</u> | <u>8,325</u> | <u>(4,825)</u> | <u>(9,109)</u> |
| End of Period | <u>\$ 5,842,080</u> | <u>\$ 6,533,014</u> | <u>\$ 6,814,468</u> | <u>\$ 5,410,449</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>2013</u> | <u>2012**</u> | <u>2011**</u> | <u>2010**</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Revenues: | | | | |
| Local Sources | \$ 18,924,478 | \$ 18,459,389 | \$ 18,957,441 | \$ 18,291,485 |
| Intermediate Sources | - | - | - | 400 |
| State Sources | 19,771,423 | 19,335,474 | 18,489,709 | 18,955,536 |
| Federal Sources | 9,959,558 | 11,538,954 | 12,215,474 | 12,051,886 |
| Sixteenth Section Sources | <u>79,898</u> | <u>49,041</u> | <u>173,114</u> | <u>162,209</u> |
| Total Revenues | <u>48,735,357</u> | <u>49,382,858</u> | <u>49,835,738</u> | <u>49,461,516</u> |
| Expenditures | | | | |
| Instruction | 25,943,731 | 25,668,806 | 25,283,850 | 25,898,797 |
| Support Services | 19,525,630 | 19,409,643 | 18,472,178 | 19,683,452 |
| Noninstructional Services | 3,756,254 | 3,488,175 | 3,084,999 | 3,103,684 |
| Sixteenth Section | 9,014 | 19,614 | 36,246 | 24,312 |
| Facilities Acquisition & Construction | 436,490 | 692,963 | 2,199,271 | 833,276 |
| Debt Service: | | | | |
| Principal | 2,470,580 | 2,194,435 | 2,803,733 | 1,743,980 |
| Interest | 547,280 | 547,518 | 727,089 | 745,488 |
| Other | <u>6,335</u> | <u>36,085</u> | <u>103,440</u> | <u>3,917</u> |
| Total Expenditures | <u>52,695,314</u> | <u>52,057,239</u> | <u>52,710,806</u> | <u>52,036,906</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | <u>(3,959,957)</u> | <u>(2,674,381)</u> | <u>(2,875,068)</u> | <u>(2,575,390)</u> |
| Other Financing Sources (Uses) | | | | |
| Bonds and Notes Issued | 200,000 | - | 4,550,000 | 3,000,000 |
| Insurance Recovery | 4,706,575 | 54,692 | - | - |
| Proceeds of 3 mill note | - | 2,700,000 | - | - |
| Proceeds of shortfall notes | - | 60,000 | - | - |
| Proceeds of refunding bonds | - | - | 6,355,000 | - |
| Premiums on bonds and refunding bonds issued | - | - | 72,762 | - |
| Payments to QSCB Debt escrow agent | (400,000) | - | - | - |
| Payment to escrow agent | 400,000 | 400,000 | 200,000 | - |
| Operating Transfers In | 1,456,710 | 1,198,426 | 1,544,751 | 2,468,290 |
| Payments to refunded bond escrow agent | - | - | (5,534,780) | - |
| Operating Transfers Out | (1,456,710) | (1,198,426) | (1,544,751) | (2,468,290) |
| Transfer to qualified construction bond Escrow Ag. | - | (400,000) | (200,000) | - |
| Other Financing Uses | <u>-</u> | <u>-</u> | <u>(15)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>4,906,575</u> | <u>2,814,692</u> | <u>5,442,967</u> | <u>3,000,000</u> |
| Special Item | <u>-</u> | <u>(199,015)</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | <u>946,618</u> | <u>(58,704)</u> | <u>2,567,899</u> | <u>424,610</u> |
| Fund Balances: | | | | |
| Beginning of period, as originally reported | 15,454,522 | 15,503,658 | 12,881,325 | 12,460,497 |
| Prior period adjustment | <u>-</u> | <u>15,477</u> | <u>68,816</u> | <u>(5,750)</u> |
| Beginning of period, as restated | <u>15,454,522</u> | <u>15,519,135</u> | <u>12,950,141</u> | <u>12,454,747</u> |
| Increase (Decrease) in Reserve for Inventory | <u>(12,669)</u> | <u>(5,909)</u> | <u>(14,382)</u> | <u>1,968</u> |
| End of Period | <u>\$ 16,388,471</u> | <u>\$ 15,454,522</u> | <u>\$ 15,503,658</u> | <u>\$ 12,881,325</u> |

** Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Superintendent and School Board
Hattiesburg Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hattiesburg Public School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hattiesburg Public School District's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

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

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

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

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39441

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

WWW.HOLTACCOUNTING.COM

Compliance and Other Matters

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

Purpose of this Report

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

Holt & Associates, PLLC

November 22, 2013



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Superintendent and School Board
Hattiesburg Public School District

Report on Compliance for Each Major Federal Program

We have audited Hattiesburg Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the school district's major federal programs for the year ended June 30, 2013. Hattiesburg Public School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Hattiesburg Public School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hattiesburg Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

Report on Internal Control Over Compliance

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

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

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

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

Holt & Associates, PLLC

November 22, 2013

HATTIESBURG PUBLIC SCHOOL DISTRICT

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



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Superintendent and School Board
Hattiesburg Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School District as of and for the year ended June 30, 2013, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated November 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Holt & Associates, PLLC

November 22, 2013

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39441

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

WWW.HOLTACCOUNTING.COM

HATTIESBURG PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HATTIESBURG PUBLIC SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|----------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No. |
| | b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported. |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No. |
| 7. | Federal programs identified as major programs: | |
| | <u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u> | |
| | 84.010 Title I Grants to Local Educational Agencies | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes. |

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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