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Hattiesburg Public School District

Audited Financial Statements

For the Year Ended June 30, 2019

HATTIESBURG PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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, 2019, 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.

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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, 2019, 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, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Net OPEB Liability, and the Schedule of District Contributions for the Net Pension Liability and the Net OPEB Liability on pages 6-14 and 50-56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hattiesburg Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information

mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hattiesburg Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hattiesburg Public School District's internal control over financial reporting and compliance.

Holt & Associates, PLLC

Laurel, MS
November 1, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

The following discussion and analysis of Hattiesburg Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2019. 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 2019 increased \$7,340,201 represents a 24% increase from fiscal year 2018. Total net position for 2018 increased \$1,274,816, including a prior period adjustment of (\$4,285,502) which represents a 4% increase from fiscal year 2017.
- General revenues amounted to \$40,034,235 and \$39,108,663, or 79% and 79% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,898,837, or 21% of total revenues for 2019, and \$10,435,197, or 21% of total revenues for 2018.
- The District had \$43,592,871 and \$43,983,542 in expenses for fiscal years 2019 and 2018; only \$10,898,837 for 2019 and \$10,435,197 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$40,034,235 for 2019 and \$39,108,663 for 2018 were adequate to provide for these programs.
- Among major funds, the General Fund had \$37,382,268 in revenues and \$32,253,816 in expenditures for 2019, and \$36,415,530 in revenues and \$31,096,997 in expenditures in 2018. The General Fund's fund balance increased by \$4,451,564 from 2018 to 2019, and increased by \$4,496,090, including a prior period adjustment of \$5,959 and a decrease in inventory of \$81,494 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$872,042 for 2019 and decreased by \$969,990 for 2018. The increase for 2019 was due primarily to the increase in capital assets purchases and construction.
- Long-term debt, including compensated absences increased by \$20,635,677 for 2019 and decreased by \$2,938,992 for 2018. The increase for 2019 was due primarily to the issuance of general obligation bond. The liability for compensated absences increased by \$4,947 for 2019 and increased by \$11,301 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position."

Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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

Reconciliation of Government-wide and Fund Financial Statements

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

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.

A net pension liability and net OPEB liability result in a liability on the government-wide financial statements but are not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions-PERS, Schedule of District's Proportionate Share of the Net OPEB liability, and Schedule of District Contributions-OPEB as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund as required by the Governmental Accounting Standards Board.

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative, and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$22,685,988 as of June 30, 2019.

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.

Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.

Table 1

Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	Percentage Change
Current assets	\$ 41,566,746	\$ 14,325,367	190.16%
Restricted assets	5,561,460	5,022,726	10.73%
Capital assets, net	<u>30,315,266</u>	<u>29,443,224</u>	2.96%
Total assets	<u>77,443,472</u>	<u>48,791,317</u>	58.72%
Deferred outflows of resources	<u>4,125,268</u>	<u>7,895,995</u>	-47.75%
Current liabilities	1,243,010	350,642	254.50%
Long-term debt outstanding	29,682,015	9,072,917	227.15%
Net OPEB liability	3,800,249	3,833,927	-0.88%
Net pension liability	<u>61,392,296</u>	<u>61,157,467</u>	0.38%
Total liabilities	<u>96,117,570</u>	<u>74,414,953</u>	29.16%
Deferred inflows of resources	<u>8,137,158</u>	<u>12,298,548</u>	-33.84%
Net position:			
Net investment in capital assets	4,321,266	24,549,009	-82.40%
Restricted	38,616,111	8,427,790	358.20%
Unrestricted	<u>(65,623,365)</u>	<u>(63,002,988)</u>	-4.16%
Total net position	<u>\$ (22,685,988)</u>	<u>\$ (30,026,189)</u>	24.45%

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions and other post-employment benefits, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (65,623,365)
Less unrestricted deficit in net position resulting from recognition of the:	
Net pension liability, including the deferred outflows and deferred inflows related to pensions	65,020,126
Net other post-employment benefit liability, including the deferred outflows and deferred inflows related to other post-employment benefits	4,184,309
Unrestricted net position, exclusive of the net pension and net OPEB liability effect	<hr/> \$ 3,581,070

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

- Increase in net capital assets in the amount of \$872,042.
- The issuance of general obligation bond of \$22,500,000 and principal retirement of \$1,869,270 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$50,933,072 and \$49,543,860, respectively. The total cost of all programs and services was \$43,592,871 for 2019 and \$43,983,542 for 2018.

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Table 2
Changes in Net Position

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 344,393	\$ 466,597	(26.19) %
Operating grants and contributions	10,554,444	9,960,100	5.97 %
Capital grants and contributions	-	8,500	(100.00) %
General revenues:			
Property taxes	19,935,259	19,079,046	4.49 %
Grants and contributions not restricted	18,871,647	19,429,067	(2.87) %
Investment earnings	777,321	353,731	119.75 %
Sixteenth section sources	136,046	70,967	91.70 %
Other	313,962	175,852	78.54 %
Total revenues	50,933,072	49,543,860	2.80 %
Expenses:			
Instruction	21,172,027	20,089,164	5.39 %
Support services	15,620,737	15,321,086	1.96 %
Non-instructional	2,856,469	2,975,682	(4.01) %
Sixteenth section	30,273	16,282	85.93 %
OPEB expense	114,525	125,553	(8.78) %
Pension expense	3,540,840	4,962,964	(28.65) %
Interest on long-term liabilities	258,000	492,811	(47.65) %
Total expenses	43,592,871	43,983,542	(0.89) %
Increase (Decrease) in net position	7,340,201	5,560,318	32.01 %
Net Position, July 1, as previously reported	(30,026,189)	(31,301,005)	4.07 %
Prior Period Adjustment	-	(4,285,502)	100.00 %
Net Position, July 1, as restated	(30,026,189)	(35,586,507)	15.62 %
Net Position, June 30	\$ (22,685,988)	\$ (30,026,189)	24.45 %

Governmental activities

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Table 3

Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2019	2018	
Instruction	\$ 21,172,027	\$ 20,089,164	5.39 %
Support services	15,620,737	15,321,086	1.96 %
Non-instructional	2,856,469	2,975,682	(4.01) %
Sixteenth section	30,273	16,282	85.93 %
OPEB Expense	114,525	125,553	(8.78) %
Pension Expense	3,540,840	4,962,964	(28.65) %
Interest on long-term liabilities	258,000	492,811	(47.65) %
Total expenses	\$ 43,592,871	\$ 43,983,542	(0.89) %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (17,112,646)	\$ (16,687,855)	(2.55) %
Support services	(12,341,513)	(11,749,110)	(5.04) %
Non-instructional	703,763	345,290	103.82 %
Sixteenth section	(30,273)	(16,282)	(85.93) %
OPEB Expense	(114,525)	(125,553)	8.78 %
Pension Expense	(3,540,840)	(4,962,964)	28.65 %
Interest on long-term liabilities	(258,000)	(351,871)	26.68 %
Total net (expense) revenue	\$ (32,694,034)	\$ (33,548,345)	2.55 %

- Net cost of governmental activities [(\$32,694,034) for 2019 and (\$33,548,345) for 2018]] was financed by general revenue, which is primarily made up of property taxes (\$19,935,259 for 2019 and \$19,079,046 for 2018) and state and federal revenues (\$18,871,647 for 2019 and \$19,429,067 for 2018).
- Investment earnings amounted to \$777,321 for 2019 and \$353,731 for 2018.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$45,996,697, an increase of \$26,840,105, including a decrease in inventory of \$33,489. \$7,269,085, or 16% 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

within the general fund. The remaining fund balance of \$38,727,612, or 84% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$4,451,564. The fund balance of Other Governmental Funds showed an increase in the amount of \$730,259, which includes a decrease in inventory of \$33,489. 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	\$ -
Construction FY 19 Issue Fund	\$ 21,658,282

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 major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$55,758,058, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$786,995 from 2018. Total accumulated depreciation as of June 30, 2019, was \$25,442,792, and total depreciation expense for the year was \$1,212,625, resulting in total net capital assets of \$30,315,266.

Table 4

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percent Change</u>
Land	\$ 522,861	\$ 522,861	-
Construction in progress	1,292,514	-	N/A
Buildings	21,884,614	22,496,555	-2.72%
Building improvements	1,015,517	1,081,012	-6.06%
Improvements other than buildings	4,082,923	4,253,749	-4.02%
Mobile equipment	1,225,712	817,508	49.93%
Furniture and equipment	291,125	271,539	7.21%
Total	\$ <u>30,315,266</u>	\$ <u>29,443,224</u>	2.96%

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Debt Administration. At June 30, 2019, the District had \$29,682,015 in outstanding long-term debt, of which \$735,000 is due within one year. During the fiscal year, the District made principal payments totaling \$1,869,270 on outstanding long-term debt and issued a bond for \$22,500,000. The liability for compensated absences increased \$4,947 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	Percentage Change
General obligation bonds payable	\$ 22,190,000	\$ 1,155,000	1821%
Three mill notes payable	1,280,000	1,640,000	-22%
Shortfall notes payable	-	44,270	-100%
Qualified school construction bonds payable	6,000,000	6,000,000	0%
Compensated absences payable	212,015	207,068	2%
Total	\$ 29,682,015	\$ 9,046,338	228%

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 for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

HATTIESBURG PUBLIC SCHOOL DISTRICT

**Statement of Net Position
June 30, 2019**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 38,580,643
Due from other governments	2,805,302
Prepaid expenses	116,554
Inventories	64,247
Restricted assets	5,561,460
Capital assets, non-depreciable:	
Land	522,861
Construction in progress	1,292,514
Capital assets, net of accumulated depreciation:	
Buildings	21,884,614
Building improvements	1,015,517
Mobile equipment	1,225,712
Furniture and equipment	291,125
Improvements other than buildings	4,082,923
Total Assets	<u>77,443,472</u>
 Deferred Outflows of Resources	
Deferred outflow related to OPEB	191,010
Deferred outflow related to pensions	3,934,258
Total Deferred Outflows of Resources	<u>4,125,268</u>
 Liabilities	
Accounts payable and accrued liabilities	996,458
Unearned revenue	135,051
Interest payable on long-term liabilities	111,501
Long-term liabilities, due within one year:	
Capital related liabilities	588,000
Non-capital related liabilities	147,000
Net OPEB liability	164,959
Long-term liabilities, due beyond one year:	
Capital related liabilities	25,406,000
Non-capital related liabilities	3,541,015
Net OPEB liability	3,635,290
Net pension liability	61,392,296
Total Liabilities	<u>96,117,570</u>
 Deferred Inflows of Resources	
Deferred inflow related to OPEB	575,070
Deferred inflow related to pensions	7,562,088
Total Deferred Inflows of Resources	<u>8,137,158</u>
 Net Position	
Net investment in capital assets	4,321,266
Restricted for:	
Expendable:	
School-based activities	1,271,345
Capital projects	28,845,754
Debt service	4,502,372
Unemployment benefits	126,013
Non-expendable:	
Sixteenth section	3,870,627
Unrestricted	(65,623,365)
Total Net Position (deficit)	<u>\$ (22,685,988)</u>

The accompanying notes are an integral part of this statement.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2019

					Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 21,172,027	\$ 232,873	\$ 3,826,508	\$ -	\$ (17,112,646)
Support services	15,620,737	24,053	3,255,171	-	(12,341,513)
Non-instructional	2,856,469	87,467	3,472,765	-	703,763
Sixteenth section	30,273	-	-	-	(30,273)
OPEB expense	114,525	-	-	-	(114,525)
Pension expense	3,540,840	-	-	-	(3,540,840)
Interest on long-term liabilities	258,000	-	-	-	(258,000)
Total Governmental Activities	\$ 43,592,871	\$ 344,393	\$ 10,554,444	\$ -	\$ (32,694,034)

General Revenues:

Taxes:

General purpose levies

17,571,012

Debt purpose levies

2,364,247

Unrestricted grants and contributions:

State

18,516,202

Federal

355,445

Unrestricted investment earnings

777,321

Sixteenth section sources

136,046

Other

313,962

Total General Revenues

40,034,235

Change in Net Position

7,340,201

Net Position - Beginning

(30,026,189)

Net Position (deficit) - Ending

\$ (22,685,988)

The accompanying notes are an integral part of this statement.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2019

	Major Funds					
	General Fund	Title I Fund	Construction FY 19 Issue Fund	Other Governmental Funds	Total Governmental Funds	
Assets						
Cash and cash equivalents	\$ 13,354,590	\$ -	\$ 22,333,156	\$ 3,093,495	\$ 38,781,241	
Cash with fiscal agents	-	-	-	2,235,539	2,235,539	
Investments	-	-	-	3,112,039	3,112,039	
Due from other governments	472,990	1,108,284	-	1,222,850	2,804,124	
Accrued interest receivable	-	-	-	13,284	13,284	
Due from other funds	2,208,744	-	-	1,577	2,210,321	
Advances to other funds	-	-	-	869,968	869,968	
Inventories	-	-	-	64,247	64,247	
Prepaid items	116,554	-	-	-	116,554	
Total assets	\$ 16,152,878	\$ 1,108,284	\$ 22,333,156	\$ 10,612,999	\$ 50,207,317	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 270,338	\$ 3,911	\$ 674,874	\$ 47,335	\$ 996,458	
Due to other funds	1,577	1,103,753	-	1,103,813	2,209,143	
Advances from other funds	869,968	-	-	-	869,968	
Unavailable revenue - federal programs	-	620	-	134,431	135,051	
Total Liabilities	1,141,883	1,108,284	674,874	1,285,579	4,210,620	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	64,247	64,247	
Prepaid items	116,554	-	-	-	116,554	
Permanent fund principal	-	-	-	3,000,659	3,000,659	
Advances	-	-	-	869,968	869,968	
Restricted:						
Debt service	-	-	-	4,613,873	4,613,873	
Capital projects	-	-	21,658,282	5,844	21,664,126	
Grant activities	-	-	-	646,816	646,816	
Unemployment benefits	-	-	-	44,156	44,156	
Assigned:						
Student activities	169,840	-	-	-	169,840	
Capital improvement	7,181,628	-	-	-	7,181,628	
Instructional activities	21,173	-	-	-	21,173	
Technology projects	252,715	-	-	-	252,715	
Unemployment benefits	-	-	-	81,857	81,857	
Unassigned	7,269,085	-	-	-	7,269,085	
Total Fund Balances	15,010,995	-	21,658,282	9,327,420	45,996,697	
Total Liabilities and Fund Balances	\$ 16,152,878	\$ 1,108,284	\$ 22,333,156	\$ 10,612,999	\$ 50,207,317	

The accompanying notes are an integral part of this statement.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019**

Exhibit C-1

Total fund balances for governmental funds \$ 45,996,697

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

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

Land	\$ 522,861	
Construction in progress	1,292,514	
Buildings	38,814,103	
Building improvements	1,637,367	
Mobile equipment	3,677,016	
Furniture and equipment	3,012,121	
Improvements other than buildings	6,802,076	
Accumulated depreciation	<u>(25,442,792)</u>	30,315,266

- 2.

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

Net pension liability	(61,392,296)
Net OEB liability	(3,800,249)

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

Deferred outflows of resources related to pensions	3,934,258	
Deferred outflows of resources related to OPEB	191,010	
Deferred inflows of resources related to OPEB	(575,070)	
Deferred inflows of resources related to pensions	<u>(7,562,088)</u>	(69,204,435)

3. 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	(22,190,000)	
Three mill notes	(1,280,000)	
Qualified school construction bonds payable	(6,000,000)	
Compensated absences	(212,015)	
Accrued interest payable	<u>(111,501)</u>	(29,793,516)

Net Position of governmental activities \$ (22,685,988)

The accompanying notes are an integral part of this statement.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2019

	Major Funds			Other	Total
	General	Title I	Construction	Governmental	Governmental
	Fund	Fund	FY 19 Issue	Funds	Funds
	Fund	Fund	Fund	Funds	Funds
Revenues:					
Local sources	\$ 18,150,570	\$ -	\$ 448,746	\$ 2,619,502	\$ 21,218,818
State sources	18,702,285	-	-	1,619,288	20,321,573
Federal sources	390,690	3,280,960	-	5,432,869	9,104,519
Sixteenth section sources	138,723	-	-	125,386	264,109
Total Revenues	37,382,268	3,280,960	448,746	9,797,045	50,909,019
Expenditures:					
Instruction	18,424,446	1,351,683	-	3,447,746	23,223,875
Support services	13,756,453	1,705,617	219,219	1,564,219	17,245,508
Noninstructional services	6,266	137,660	-	2,695,854	2,839,780
Sixteenth section	30,273	-	-	-	30,273
Facilities acquisition and construction	-	-	760,745	280,177	1,040,922
Debt service:					
Principal	-	-	-	1,869,270	1,869,270
Interest	36,378	-	-	285,247	321,625
Other	-	-	500	4,980	5,480
Total Expenditures	32,253,816	3,194,960	980,464	10,147,493	46,576,733
Excess (Deficiency) of Revenues over (under) Expenditures	5,128,452	86,000	(531,718)	(350,448)	4,332,286
Other Financing Sources (Uses):					
Insurance recovery	12,254	-	-	11,799	24,053
Sale of property	17,230	-	-	25	17,255
Bond proceeds	-	-	22,190,000	310,000	22,500,000
Transfer in to escrow agent	-	-	-	546,128	546,128
Operating transfers in	36,378	-	-	828,750	865,128
Transfer to QSCB escrow agent	-	-	-	(546,128)	(546,128)
Operating transfers out	(742,750)	(86,000)	-	(36,378)	(865,128)
Total Other Financing Sources (Uses)	(676,888)	(86,000)	22,190,000	1,114,196	22,541,308
Net Change in Fund Balances	4,451,564	-	21,658,282	763,748	26,873,594
Fund Balances:					
July 1, 2018	10,559,431	-	-	8,597,161	19,156,592
Increase (Decrease) in inventory	-	-	-	(33,489)	(33,489)
June 30, 2019	\$ 15,010,995	\$ -	\$ 21,658,282	\$ 9,327,420	\$ 45,996,697

The accompanying notes are an integral part of this statement.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2019**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 26,873,594

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,135,101	
Depreciation expense	<u>(1,212,625)</u>	922,476

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

	<u>(50,434)</u>	(50,434)
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3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds issued	(22,500,000)	
Payments of debt principal	1,869,270	
Amortization of bond premium	26,579	
Accrued interest payable	<u>47,640</u>	(20,556,511)

4. Some items relating to pensions and OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

Recording of OPEB expense for the current period	(114,525)	
Recording of pension expense for the current period	(3,540,840)	
Contributions subsequent to the measurement date-OPEB	164,959	
Contributions subsequent to the measurement date-Pension	<u>3,685,032</u>	194,626

5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(4,947)	
Change in inventory reserve	(33,489)	
Amortization of deferred charges, premiums and discounts	<u>(5,114)</u>	(43,550)

Change in Net Position of governmental activities	<u><u>\$ 7,340,201</u></u>
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The accompanying notes are an integral part of this statement.

HATTIESBURG PUBLIC SCHOOL DISTRICT**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities****Exhibit E****June 30, 2019**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 1,160,309
Total Assets	<u>\$ 1,160,309</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,121,980
Due to other funds	1,178
Due to student clubs	37,151
Total Liabilities	<u>\$ 1,160,309</u>

The accompanying notes are an integral part of these statements.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school District is considered a "other stand-alone government." The school District is a related organization of, but not a component unit of, the city of Hattiesburg, Mississippi, since the governing authority of the city selects a majority of the school Districts 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, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

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

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

The school District reports the following major governmental funds:

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

Title I Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the Title I grants to local educational agencies.

Construction FY 19 Issue Fund – This is a construction fund that accounts for the construction expenditures being spent from the general obligation bond issue.

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:

Student Club Funds – These funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report payroll resources held by the District in a purely custodial capacity (assets and liabilities) and does not involve the measurement of the results of operations.

Accounts Payable Clearing Fund – This fund is used to report resources of paid claims held by the District in a purely custodial capacity (assets and liabilities) and does not involve the measurement of the results of operations.

Additionally, the school District reports the following fund types:

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 expenditures for capital outlays, including acquisition or construction of capital facilities and other capital assets.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

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, 2019

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

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

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, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the District are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds"

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

(i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

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

6. Capital Assets

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

Deferred outflow related to OPEB
Deferred outflow related to Pensions

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred the following deferred outflows/inflows of resources:

Deferred inflow related to OPEB
Deferred inflow related to Pensions

See Note 8 and Note 9 for further details.

8. Compensated Absences

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

level of decision-making authority. This formal action is the approval of the commitment by the school board. 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 Director of Finance pursuant to authorization established by the School Board of Trustees as approved by the fund balance reporting policy.

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

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

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

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 \$38,781,241 and \$1,160,309, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. 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. 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.

Cash with Fiscal Agents

The carrying amount of the school District's cash with fiscal agents held by financial institutions at June 30, 2019 was \$2,235,539.

Investments

As of June 30, 2019, the District had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury Notes and Bonds	Unrated	Less than 10 years	\$ 1,599,900
U.S. Government Asset Backed Securities	AA+	Less than 5 years	135,061
	AA+	Less than 10 years	391,428
	AA+	Less than 15 years	131,068
Corporate Bonds	A2	Less than 5 years	50,002
Municipal Bonds	Unrated	Less than 5 years	35,022
	Aa2/AA	Less than 5 years	103,437
	AA-	Less than 10 years	75,905
	AA	Less than 10 years	50,131
U.S. Agency Securities	Aaa/AA+	Less than 5 years	324,296
	Aaa/AA+	Less than 10 years	<u>215,789</u>
Total			<u>\$ 3,112,039</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

The District has the following recurring fair value measurements as of June 30, 2019:

- All investments are valued using quoted market prices (Level 1 inputs)

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

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The District does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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. As of June 30, 2019, the District did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 1,103,753
	Other governmental Funds	1,103,813
	Fiduciary Funds	1,178
Other governmental Funds	General Fund	<u>1,577</u>
		<u>\$ 2,210,321</u>

The amounts represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received. Also included are amounts due from clearing accounts to governmental funds.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other governmental Funds	General Fund	<u>\$ 869,968</u>
Total		<u><u>\$ 869,968</u></u>

The inter-fund balances represent a loan from the 16th Section Principal Fund to the General Fund. The purpose of the loan was to purchase school buses and to make needed facility improvements.

The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balance. The interest rate on the sixteenth section principal loans payable as of June 30, 2019 is four (4) percent. The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Totals
2020	\$ 56,042	\$ 35,165	\$ 91,207
2021	57,304	33,903	91,207
2022	58,616	32,591	91,207
2023	59,981	31,226	91,207
2024	61,400	29,807	91,207
2025-2029	207,855	99,348	307,203
2030-2034	252,888	54,316	307,204
2035-2036	115,882	7,000	122,882
	<u>\$ 869,968</u>	<u>\$ 323,356</u>	<u>\$ 1,193,324</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 742,750
Title I Fund	Other Governmental Funds	86,000
Other Governmental Funds	General Fund	<u>36,378</u>
Total		<u><u>\$ 865,128</u></u>

Transfers represent direct costs from special revenue funds transferred to the General Fund and operational transfers from the General Fund to other governmental funds. Also included are transfers of interest earned on nonexpendable permanent funds to the General Fund.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

Note 4 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 522,861	\$ -	\$ -	\$ -	522,861
Construction in progress	-	1,292,514	-	-	1,292,514
Total non-depreciable capital assets	522,861	1,292,514	-	-	1,815,375
<u>Depreciable capital assets:</u>					
Buildings	38,814,103	-	-	-	38,814,103
Building improvements	1,637,367	-	-	-	1,637,367
Mobile equipment	3,397,521	622,122	360,191	17,564	3,677,016
Furniture and equipment	3,868,130	147,559	1,019,063	15,495	3,012,121
Improvements other than buildings	6,731,081	70,995	-	-	6,802,076
Total depreciable capital assets	54,448,202	840,676	1,379,254	33,059	53,942,683
<u>Less accumulated depreciation for:</u>					
Buildings	16,317,548	611,941			16,929,489
Building improvements	556,355	65,495			621,850
Mobile equipment	2,580,013	175,431	319,948	15,808	2,451,304
Furniture and equipment	3,596,591	117,937	1,008,872	15,340	2,720,996
Improvements other than buildings	2,477,332	241,821	-	-	2,719,153
Total accumulated depreciation	25,527,839	1,212,625	1,328,820	31,148	25,442,792
Total depreciable capital assets, net	28,920,363	(371,949)	50,434	1,911	28,499,891
Governmental activities capital assets, net	\$ 29,443,224	\$ 920,565	\$ 50,434	\$ 1,911	\$ 30,315,266

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 507,032
Support services	601,331
Non-instructional	104,262
Total depreciation expense - Governmental activities	<u>\$ 1,212,625</u>

Details of construction-in-progress are as follows:

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

	Spent to June 30, 2019	Remaining Commitment
Governmental activities:		
Thames Renovations	\$ 312,050	\$ -
Hattiesburg High Renovations	234,597	761,403
Rowan Renovations	<u>745,867</u>	<u>472,012</u>
	<u>\$ 1,292,514</u>	<u>\$ 1,233,415</u>

Note 5 – Restricted Assets

The restricted assets represent the cash balance, cash with fiscal agents, investments, and accrued interest balances, totaling \$200,598, \$412,368, \$1,512,139, and \$5,586, respectfully, of the Sixteenth Section Principal Fund (Permanent Fund) which are legally restricted and may not be used for purposes that support the District's programs.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$1,804,308, of the QSCB 2009 Bond Retirement Fund.

In addition, the restricted assets represent the cash with fiscal agents, investments, and accrued interest balances, totaling \$18,863, \$1,599,900, and \$7,698, respectively, of the QSCB 2010 Bond Retirement Fund.

Restricted assets shown on the statement of Net Position total \$5,561,460.

Note 6 – Long-term Liabilities

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

	7/1/2018	Additions	Reductions	6/30/2019	Amounts due within one year
A. General obligation bonds	\$ 1,155,000	22,500,000	1,465,000	\$ 22,190,000	\$ 525,000
B. Three Mill Note/Limited tax note	1,640,000		360,000	1,280,000	210,000
C. Shortfall notes	44,270		44,270	-	-
D. Qualified school construction bonds	6,000,000		-	6,000,000	-
Total	<u>\$ 8,839,270</u>	<u>\$ 22,500,000</u>	<u>\$ 1,869,270</u>	<u>\$ 29,470,000</u>	<u>\$ 735,000</u>
Unamortized bond premium	26,579	-	26,579	-	
	<u>\$ 8,865,849</u>	<u>\$ 22,500,000</u>	<u>\$ 1,895,849</u>	<u>\$ 29,470,000</u>	

Description:	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation series 2019	0.30%	4/1/2019	4/1/2039	\$ 22,500,000	\$ 22,190,000
Limited tax note, series 2012	2.42%	6/15/2012	6/15/2025	2,700,000	1,280,000
Qualified School Construction Bond, Series 2009	0.94%	9/15/2009	9/15/2024	3,000,000	3,000,000
Qualified School Construction Bond, Series 2010	1.25%	12/1/2010	12/1/2025	<u>3,000,000</u>	<u>3,000,000</u>
				<u>\$ 31,200,000</u>	<u>\$ 29,470,000</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

A. General Obligation Bonds:

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. The general obligation bond will be retired from the Bond Retirement Fund (debt service fund).

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 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, 2019 the amount of outstanding bonded indebtedness was 7% of property assessments as of October 1, 2018.

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

Year Ending June 30	General obligation bond series, 2019		
	Principal	Interest	Totals
2020	\$ 525,000	\$ 791,575	\$ 1,316,575
2021	640,000	770,575	1,410,575
2022	675,000	744,975	1,419,975
2023	715,000	717,975	1,432,975
2024	750,000	689,375	1,439,375
2025-2029	5,090,000	2,912,475	8,002,475
2030-2034	6,305,000	1,959,025	8,264,025
2035-2039	7,490,000	772,494	8,262,494
	<u>\$ 22,190,000</u>	<u>\$ 9,358,469</u>	<u>\$ 31,548,469</u>

B. Three mill note/Limited Tax note

This debt will be retired from the Three Mill Note Debt Service Fund (debt service fund).

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

Year Ending June 30	Limited Tax Note, Series 2012		
	Principal	Interest	Totals
2020	\$ 210,000	\$ 34,363	\$ 244,363
2021	215,000	30,163	245,163
2022	220,000	25,056	245,056
2023	225,000	19,281	244,281
2024	205,000	12,813	217,813
2025-2029	205,000	6,663	211,663
	<u>\$ 1,280,000</u>	<u>\$ 128,339</u>	<u>\$ 1,408,339</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

C. Shortfall notes payable

Shortfall debt was retired during the year from the Shortfall Note Retirement fund.

D. Qualified School Construction Bonds

As more fully explained in Note 11, debt has been issued by the school district that qualified as Qualified School Construction Bonds.

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

The School District has pledged a portion of future state Education Enhancement Fund revenue to repay \$6,000,000 in Qualified School Construction Bonds. \$3,000,000 was issued September 15, 2009, and another \$3,000,000 was issued December 1, 2010. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from the future revenues of the State Education Enhancement Fund and other district funds and are payable through September 15, 2024, and December 1, 2025, respectively. Annual principal and interest payments on the bonds are expected to require all of such state pledged revenues, with the remaining amounts to be paid through the avails of a local debt service tax levy. As further explained in Note 11, minimum total sinking fund payments remaining to be paid on the Series 2009 bonds is \$1,200,000, while the minimum total annual sinking fund payments remaining to be paid on the Series 2010 bonds is \$1,400,000.

Sinking fund payments for the current year and the total Education Enhancement Fund pledged revenues were \$546,128 and \$173,863 respectively.

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

Year Ending June 30	Qualified School Construction Bonds					
	Series 2009			Series 2010		
	Principal	Interest	Totals	Principal	Interest	Totals
2020	\$ -	\$ 28,200	\$ 28,200	\$ -	\$ 165,000	\$ 165,000
2021	-	28,200	28,200	-	165,000	165,000
2022	-	28,200	28,200	-	165,000	165,000
2023	-	28,200	28,200	-	165,000	165,000
2024	-	28,200	28,200	-	165,000	165,000
2025-2026	3,000,000	28,200	3,028,200	3,000,000	330,000	3,330,000
	<u>\$ 3,000,000</u>	<u>\$ 169,200</u>	<u>\$ 3,169,200</u>	<u>\$ 3,000,000</u>	<u>\$ 1,155,000</u>	<u>\$ 4,155,000</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Year Ending June 30	Total		
	Principal	Interest	Totals
2020	\$ -	\$ 193,200	\$ 193,200
2021	-	193,200	193,200
2022	-	193,200	193,200
2023	-	193,200	193,200
2024	-	193,200	193,200
2025-2026	6,000,000	358,200	6,358,200
	<u>\$ 6,000,000</u>	<u>\$ 1,324,200</u>	<u>\$ 7,324,200</u>

The 2009 QSCB will be retired from the 2009 QSCB Retirement fund and the 2010 QSCB will be retired from the 2010 QSCB Retirement fund (both debt service funds).

E. Compensated absences payable

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

	<u>7/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2019</u>
Compensated absences payable	<u>\$ 207,068</u>	<u>\$ 4,947</u>	<u>\$ -</u>	<u>\$ 212,015</u>

Note 7 – Other Commitments

The school District has several operating leases for thirty-seven (37) copiers.

Lease expenditures for the year ended June 30, 2019, amounted to \$94,059. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	\$ 27,279
2021	5,945
Total	<u>\$ 33,224</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school District contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school Districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school District's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$3,685,032, \$3,712,754, and \$3,716,759 respectively, which equaled the required contributions for each year.

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

At June 30, 2019, the school District reported a liability of \$61,392,296 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school District's proportionate share used to calculate the June 30, 2019 net pension liability was .3691 percent, which was based on a measurement date of June 30, 2018. This was a decrease of .0012 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$3,540,840. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 189,276	\$ 439,960
Net difference between projected and actual earnings on pension plan investments	-	1,858,917
Changes in assumptions	59,950	39,394
Changes in proportion and differences between District contributions and proportionate share of contributions	-	5,223,817
District contributions subsequent to the measurement date	<u>3,685,032</u>	<u>-</u>
Total	<u>\$ 3,934,258</u>	<u>\$ 7,562,088</u>

\$3,685,032 reported as deferred outflows of resources related to pensions resulting from school District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	\$ (4,172,434)
2021	(1,389,866)
2022	(1,506,484)
2023	(244,078)
Thereafter	-
Total	<u>\$ (7,312,862)</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 Percent
Salary Increases	3.25-18.50 percent, including inflation
Investment Rate of Return	7.75 percent, net of pension plan investment expense, Including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	27 %	4.60
International Equity	18	4.50
Emerging Markets Equity	4	4.75
Global	12	4.75
Fixed Income	18	0.75
Real Estate	10	3.50
Private Equity	8	5.10
Emerging Debt	2	2.25
Cash	1	0.00
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 80,836,037	\$ 61,392,296	\$ 45,231,980

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Note 9 – Other Postemployment Benefits (OPEB)

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school Districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$164,959 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the District reported a liability of \$3,800,249 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was .4913 percent. This was an increase of .0027 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$114,525. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,738	\$
Changes of assumptions		270,775
Net difference between projected and actual Earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	18,313	304,295
District contributions subsequent to the Measurement date	164,959	
Total	\$ <u>191,010</u>	\$ <u>575,070</u>

\$164,959 reported as deferred outflows of resources related to OPEB resulting from school District contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ (114,528)
2021	(114,528)
2022	(114,528)
2023	(114,528)
2024	(84,772)
2025	<u>(6,135)</u>
Total	\$ <u>(549,019)</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.25 percent for 2018 decreasing to an ultimate rate of 4.75% percent by 2028

Both pre-retirement and post-employment mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 4,212,481	\$ 3,800,249	\$ 3,445,716

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 3,520,286	\$ 3,800,249	\$ 4,118,206

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report than can be found at <http://knowyourbenefits.dfa.ms.gov>.

Note 10– 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 therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school District for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

Year ending June 30	Amount
2020	\$ 60,670
2021	60,670
2022	60,670
2023	60,670
2024	59,147
2025-2029	291,249
2030-2034	264,230
2035-2039	<u>235,201</u>
	<u>\$ 1,092,507</u>

Note 11– Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest, payments discussed in the preceding paragraph, the school District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2019, the subsidy payments amounted to \$150,900.

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 spend 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, 2019 for the 2009 Series Bonds was \$1,804,308, which includes cash with fiscal agent. The amount on deposit at June 30, 2019 for the 2010 Series Bonds was \$1,626,461 which includes cash with fiscal agent, investments, and accrued interest. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fun by the school District.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Year Ending June 30	2009 Series	2010 Series	Amount
2020	\$ 200,000	\$ 200,000	\$ 400,000
2021	200,000	200,000	400,000
2022	200,000	200,000	400,000
2023	200,000	200,000	400,000
2024	200,000	200,000	400,000
2025-2029	200,000	400,000	600,000
Total	<u>\$ 1,200,000</u>	<u>\$ 1,400,000</u>	<u>\$ 2,600,000</u>

Note 12 – Contingencies

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

Litigation – The school District is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome of liability, if any, of the school District with respect to the various proceeding. However, the school District's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school District.

Note 13 – Risk Management

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

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(65,623,365) includes the effect of deferring the recognition of deferred outflows and deferred inflows related to pensions and OPEB. \$3,685,032 of the deferred outflow of resources related to pensions resulting from school District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The remaining \$249,226 of the deferred outflow of resources related to pensions at June 30, 2019, will be recognized as expense and decreased unrestricted net position over the next three (3) years. \$164,959 of the deferred outflow of resources related to OPEB resulting from the school District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. The remaining \$26,051 of the deferred outflow of resources related to OPEB at June 30, 2019, will be recognized as expense and decreased unrestricted net position over the next six (6) years.

The unrestricted net position of \$(65,623,365) includes the effect of deferring the recognition of deferred inflows related to pensions and OPEB. The balance of \$7,562,088 of the deferred inflow of resources related to pensions at June 30, 2019 will be recognized as revenue and increase unrestricted net position over the next four (4) years. The \$575,070 balance of deferred inflows related to OPEB at June 30, 2019 will be recognized as revenue and increase unrestricted net position over the next six (6) years.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Note 15 - Insurance Loss Recoveries

The Hattiesburg Public School District received \$24,053 related to damages to property. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated 100% to Support Services.

Note 16 - 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 1, 2019 and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements: On July 16, 2019, the Board of Trustees adopted a resolution to enter into a loan and issue a limited-tax promissory note in the principal amount of \$800,000. Proceeds will be used to pay for costs of school building improvements. Loan proceeds will be paid back at an interest rate of 2.59% over six years.

REQUIRED SUPPLEMENTARY INFORMATION

HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 18,242,454	\$ 18,150,570	\$ 18,150,570	\$ (91,884)	\$ -
State sources	18,618,972	18,702,285	18,702,285	83,313	-
Federal sources	29,369	390,690	390,690	361,321	-
Sixteenth section sources	71,000	138,723	138,723	67,723	-
Total Revenues	36,961,795	37,382,268	37,382,268	420,473	-
Expenditures:					
Instruction	19,609,547	18,434,446	18,424,446	1,175,101	10,000
Support services	15,567,438	13,765,630	13,756,453	1,801,808	9,177
Noninstructional	7,100	6,266	6,266	834	-
Sixteenth Section	27,000	30,272	30,273	(3,272)	(1)
Facilities acquisition and construction	-	823	-	(823)	823
Debt service:					
Principal	54,829	-	-	54,829	-
Interest	36,378	36,378	36,378	-	-
Total Expenditures	35,302,292	32,273,815	32,253,816	3,028,477	19,999
Excess (Deficiency) of Revenues over (under) Expenditures	1,659,503	5,108,453	5,128,452	3,448,950	19,999
Other Financing Sources (Uses):					
Insurance recovery	-	12,254	12,254	12,254	-
Sale of property	-	17,230	17,230	17,230	-
Operating transfers in	5,923,604	9,855,372	36,378	3,931,768	(9,818,994)
Operating transfers out	(7,078,725)	(10,561,744)	(742,750)	(3,483,019)	9,818,994
Total Other Financing Sources (Uses)	(1,155,121)	(676,888)	(676,888)	478,233	-
Net Change in Fund Balances	504,382	4,431,565	4,451,564	3,927,183	19,999
Fund Balances:					
July 1, 2018	10,559,432	10,559,432	10,559,431	-	(1)
Increase (Decrease) in Inventory	-	-	-	-	-
June 30, 2019	\$ 11,063,814	\$ 14,990,997	\$ 15,010,995	\$ 3,927,183	\$ 19,998

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	
State sources	-	-	-	-	-
Federal sources	1,248,038	3,280,960	3,280,960	2,032,922	-
Sixteenth section sources	-	-	-	-	-
Total Revenues	1,248,038	3,280,960	3,280,960	2,032,922	-
Expenditures:					
Instruction	434,974	1,351,683	1,351,683	(916,709)	-
Support services	626,142	1,705,617	1,705,617	(1,079,475)	-
Noninstructional services	39,200	137,661	137,660	(98,461)	1
Facilities acquisition and construction	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	1,100,316	3,194,961	3,194,960	(2,094,645)	1
Excess (Deficiency) of Revenues over (under) Expenditures	147,722	85,999	86,000	(61,723)	1
Other Financing Sources (Uses):					
Insurance recovery	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	(130,912)	-	(86,000)	130,912	(86,000)
Total Other Financing Sources (Uses)	(130,912)	-	(86,000)	130,912	(86,000)
Net Change in Fund Balances	16,810	85,999	-	69,189	(85,999)
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ 16,810	\$ 85,999	\$ -	\$ 69,189	\$ (85,999)

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 0.369100%	0.367900%	0.428800%	0.439400%	0.415100%
District's proportionate share of the net pension liability (asset)	61,392,296	61,157,467	76,594,387	67,922,575	51,058,006
District's covered payroll	23,573,041	23,598,470	27,431,486	27,452,508	25,364,660
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.43%	259.16%	279.22%	247.42%	201.30%
Plan fiduciary net position as a percentage of the total pension liability	63%	61%	57%	62%	67%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	3,685,032	3,712,754	3,716,759	4,320,459	4,323,770
Contributions in relation to the contractually required contribution	\$ 3,685,032	3,712,754	3,716,759	4,320,459	4,323,770
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	23,397,029	23,573,041	23,598,470	27,431,486	27,452,508
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HATTIESBURG PUBLIC SCHOOL DISTRICT**Required Supplementary Information****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY****OPEB****Last 10 Fiscal Years***

	2019	2018*
District's proportion of the net OPEB liability (asset)	0.4913%	0.4886%
District's proportionate share of the net OPEB liability (asset)	\$ 3,800,249	3,833,927
District's covered employee payroll	23,573,041	23,598,470
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	16.12%	16.25%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.0%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, the District has only presented information for the years in which information is available.

HATTIESBURG PUBLIC SCHOOL DISTRICT**Required Supplementary Information****SCHEDULE OF DISTRICT CONTRIBUTIONS****OPEB****Last 10 Fiscal Years**

	2019	2018*
Actuarially determined contribution	164,959	163,446
Contributions in relation to the actuarially determined contribution	\$ 164,959	163,446
Contribution deficiency (excess)	\$ -	-
District's covered employee payroll	23,907,101	23,573,041
Contributions as a percentage of covered employee payroll	0.69%	0.69%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

*Prior year information is based on historical amounts reported in prior year audit report(s).

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected using Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of Assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017 and 2018: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

Hattiesburg Public School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<i>Federal Grantor/Pass-through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Federal Expenditures(\$)</i>
<u>United States Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition cluster:			
School Breakfast Program	10.553	195MS326N1099	825,660
National School Lunch Program	10.555	195MS326N1099	1,950,012
Summer Food Service Program for Children	10.559	195MS326N1099	114,119
Total Child Nutrition Cluster			2,889,791
Total passed-through Mississippi Department of Education			2,889,791
<u>Total United States Department of Agriculture</u>			2,889,791
<u>Social Security Administration</u>			
Passed-through Mississippi Department of Education:			
Social Security Disability Insurance	96.001	04-19-04MSD100	1,470
Total passed-through Mississippi Department of Education			1,470
<u>Total Social Security Administration</u>			1,470
<u>Department of Health and Human Services</u>			
Passed-through Mississippi Department of Human Services:			
Medical Assistance Program	93.778	N/A	16,257
Temporary Assistance for Needy Families (TANF) State Programs	93.558	N/A	5,142
Total passed-through Mississippi Department of Human Services			21,399
<u>Total United States Department of Health and Human Services</u>			21,399
<u>United States Department of Education</u>			
Passed-through Mississippi Department of Education:			
Special Education Cluster:			
Special Education Grants to States	84.027	H027A180108	1,065,162
Special Education Preschool Grants	84.173	H027A190108	
		H173A180013	51,178
		H173A190013	
Postive Behavior	84.027A	H027A180108	8,578
		H027A190108	
Total Special Education Cluster (IDEA)-Cluster			1,124,918
Title I Grants to Local Educational Agencies	84.010	S010A180024	3,065,488
		S010A190024	
Career and Technical Education -- Basic Grants to States	84.048	V048A180024	201,106
Education for Homeless Children and Youth	84.196	S196A180025	25,870
		S196A190025	
Rural Education	84.358	S358B180024	125,017
		S358B190024	
English Language Acquisition State Grants	84.365	S365A180024	30,865
		S365A190024	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A180023	391,786
		S367A190023	
School Improvement Grants	84.377	S377A160025	129,472
Total passed-through Mississippi Department of Education			5,094,522
<u>Total United States Department of Education</u>			5,094,522
<u>Department of Homeland Security</u>			
Direct Funding:			
Disaster Grants-Public Assistance (Presidentially declared disasters)	97.036	N/A	8,910
<u>Total Department of Homeland Security</u>			8,910
<u>United States Department of Defense</u>			
Direct Funding:			
Reserve Officers' Training Corp	12.xxx	N/A	181,105
<u>Total United States Department of Defense</u>			181,105
<u>Total Expenditures of Federal Awards</u>			\$ 8,197,197

The accompanying notes are an integral part of this schedule

HATTIESBURG PUBLIC SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2019

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 32,029,966	24,543,246	919,332	2,330,814	4,236,574
Other	14,546,767	4,103,461	610,160	25,591	9,807,555
Total	<u>\$ 46,576,733</u>	<u>28,646,707</u>	<u>1,529,492</u>	<u>2,356,405</u>	<u>14,044,129</u>
Total number of students *	<u>3,982</u>				
Cost per student	<u>\$ 11,697</u>	<u>7,194</u>	<u>384</u>	<u>592</u>	<u>3,527</u>

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

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

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hattiesburg Public School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hattiesburg Public School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hattiesburg Public School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Hattiesburg Public School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

HATTIESBURG PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 18,150,570	\$ 17,476,500	\$ 17,420,685	\$ 17,486,294
Intermediate sources	-	-	-	25,000
State sources	18,702,285	18,737,418	18,302,873	18,584,904
Federal sources	390,690	129,691	98,885	85,993
Sixteenth section sources	138,723	71,921	81,129	73,350
Total Revenues	37,382,268	36,415,530	35,903,572	36,255,541
Expenditures:				
Instruction	18,424,446	18,496,350	18,250,841	21,196,608
Support services	13,756,453	12,540,111	11,845,777	14,216,082
Noninstructional services	6,266	6,710	140,010	143,433
Sixteenth section	30,273	16,282	10,649	21,325
Debt Service:				
Principal	-	-	-	99,116
Interest	36,378	37,544	74,250	19,982
Other	-	-	-	5,266
Total Expenditures	32,253,816	31,096,997	30,321,527	35,701,812
Excess (Deficiency) of Revenues over (under) Expenditures	5,128,452	5,318,533	5,582,045	553,729
Other Financing Sources (Uses):				
Bonds and notes issued	-	0	0	129,979
Insurance recovery	12,254	10,636	5,947	-
Sale of property	17,230	-	2,000	-
Operating transfers in	36,378	403,151	120,000	293,211
Operating transfers out	(742,750)	(1,160,695)	(694,683)	(736,076)
Total Other Financing Sources (Uses)	(676,888)	(746,908)	(566,736)	(312,886)
Net Change in Fund Balances	4,451,564	4,571,625	5,015,309	240,843
Fund Balances:				
Beginning of period, as previously reported	10,559,431	6,063,341	1,026,836	768,796
Prior period adjustments	-	5,959	(26,012)	83,128
Beginning of period, as restated	10,559,431	6,069,300	1,000,824	851,924
Increase (Decrease) in reserve for inventory	-	(81,494)	47,208	(65,931)
End of Period	\$ 15,010,995	\$ 10,559,431	\$ 6,063,341	\$ 1,026,836

*SOURCE - PRIOR YEAR AUDIT REPORTS

HATTIESBURG PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 21,218,818	\$ 20,032,955	\$ 19,774,417	\$ 19,754,799
Intermediate sources	-	-	-	25,000
State sources	20,321,573	20,724,675	20,626,459	21,496,239
Federal sources	9,104,519	8,672,992	8,840,620	8,577,182
Sixteenth section sources	264,109	113,238	120,162	141,850
Total Revenues	50,909,019	49,543,860	49,361,658	49,995,070
Expenditures:				
Instruction	23,223,875	22,451,374	22,827,514	25,477,740
Support services	17,245,508	16,561,592	14,961,907	16,698,524
Noninstructional services	2,839,780	3,043,880	3,449,181	3,632,060
Sixteenth section	30,273	16,282	10,649	21,325
Facilities acquisition and construction	1,040,922	-	-	119,042
Debt Service:				
Principal	1,869,270	2,950,293	2,395,416	2,413,116
Interest	321,625	558,707	493,829	501,472
Other	5,480	2,250	7,550	12,336
Total Expenditures	46,576,733	45,584,378	44,146,046	48,875,615
Excess (Deficiency) of Revenues over (under) Expenditures	4,332,286	3,959,482	5,215,612	1,119,455
Other Financing Sources (Uses):				
Bonds and notes issued	22,500,000	-	-	129,979
Insurance recovery	24,053	864,047	5,947	1,986
Sale of property	17,255	-	2,000	-
Transfer In to escrow agent	546,128	566,539	584,094	373,005
Transfer to QSCB escrow agent	(546,128)	(566,539)	(584,094)	(373,005)
Operating transfers in	865,128	1,563,846	814,683	1,029,287
Operating transfers out	(865,128)	(1,563,846)	(814,683)	(1,029,287)
Total Other Financing Sources (Uses)	22,541,308	864,047	7,947	131,965
Net Change in Fund Balances	26,873,594	4,823,529	5,223,559	1,251,420
Fund Balances:				
Beginning of period, as previously reported	19,156,592	14,431,721	9,286,906	8,011,292
Prior period adjustments	-	5,959	(162,965)	83,128
Beginning of period, as restated	19,156,592	14,437,680	9,123,941	8,094,420
Increase (Decrease) in reserve for inventory	(33,489)	(104,617)	84,221	(58,934)
End of Period	\$ 45,996,697	\$ 19,156,592	\$ 14,431,721	\$ 9,286,906

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 the Hattiesburg Public School District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Hattiesburg Public School District's basic financial statements and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Hattiesburg Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 did not disclose any 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

Laurel, MS

November 1, 2019



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2019. Hattiesburg Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hattiesburg Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hattiesburg Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hattiesburg Public School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hattiesburg Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Report on Internal Control Over Compliance

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

Holt & Associates, PLLC

Laurel, MS

November 1, 2019

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



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, 2019, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated November 1, 2019. 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.

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

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

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

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

Finding #1:

In accordance with Section 25-11-127 MS Code Ann. (1972), a state retiree that has been reemployed as an employee may not be paid more than allowed as noted on the Form 4B. Two employees were paid over the amount allowed by law.

Recommendation: The school District should implement a procedure to monitor and implement the proper steps to ensure that reemployed retirees are not paid over the allowance amount.

Response: The District will implement a system to notify the PERS retiree employees prior to exceeding the maximum amount for the annual period on Form 4B.

Finding #2:

In accordance with Section 29-3-57 MS Code Ann. (1972), sixteenth section lease agreements should be terminated if they have not been paid within sixty days of their renewal date.

Recommendation: The school District should implement a procedure to ensure that all sixteenth section leases are monitored for payment and terminated if they have not been properly paid.

Response: Any leases determined to be over 60 days late in payment will be presented to the school board with a recommendation to terminate the lease.

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

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

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

Holt & Associates, PLLC

Laurel, MS

November 1, 2019

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 3. Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | No |

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.027A/84.173	Special Education Cluster

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? (Yes/No) | No |
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No |

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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 and questioned costs related to the federal awards.