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**Hattiesburg Public School District**

Audited Financial Statements  
For the Year Ended June 30, 2020



Hattiesburg Public School District  
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## INDEPENDENT AUDITOR'S REPORT

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# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

### 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, 2020, and the related notes to the financial statements, which collectively comprise the Hattiesburg Public School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 11-18, 59, 61, 63, 65, and 67, 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, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

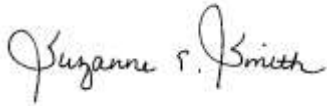
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for 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 January 15, 2021, 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.

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi  
January 15, 2021

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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HATTIESBURG PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020

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, 2020. 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 2020 increased \$9,173,074, including a prior period adjustment of (\$64,185) and a fund reclassification of \$26,257, which represents a 40% increase from fiscal year 2019. Total net position for 2019 increased \$7,340,201, which represents a 24% increase from fiscal year 2018.
- General revenues amounted to \$39,774,665 and \$40,034,235, or 77% and 79% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,846,854, or 23% of total revenues for 2020, and \$10,898,837, or 21% of total revenues for 2019.
- The District had \$42,410,517 and \$43,592,871 in expenses for fiscal years 2020 and 2019; only \$11,846,854 for 2020 and \$10,898,837 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$39,774,665 for 2020 and \$40,034,235 for 2019 were adequate to provide for these programs.
- Among major funds, the General Fund had \$38,082,481 in revenues and \$32,334,545 in expenditures for 2020, and \$37,382,268 in revenues and \$32,253,816 in expenditures in 2019. The General Fund's fund balance increased by \$4,766,603, including a prior period adjustment of \$45,588 and a fund reclassification of \$26,257, from 2019 to 2020, and increased by \$4,451,564 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, increased by \$11,778,192, including a prior period adjustment of (\$107,835) for 2020 and increased by \$872,042 for 2019. The increase for 2020 was due to the increase in construction and renovation projects in progress.
- Long-term debt, including the liability for compensated absences, increased by \$274,456 for 2020 and increased by \$20,635,677 for 2019. The liability for compensated absences increased by \$209,456 for 2020 and increased by \$4,947 for 2019.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over

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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 are governmental funds.

**Governmental funds** – All 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.

### **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

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020

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 liabilities 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 the 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 as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

Additionally, a 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 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 of resources exceeded assets and deferred outflows of resources by \$13,512,914 as of June 30, 2020.

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, 2020 and June 30, 2019.



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

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Percentage Change</b>
Current assets	\$ 28,723,774	\$ 41,566,746	-30.90 %
Restricted assets	16,235,433	5,561,460	191.93 %
Capital assets, net	42,093,458	30,315,266	38.85 %
<b>Total assets</b>	<b>87,052,665</b>	<b>77,443,472</b>	<b>12.41 %</b>
 <b>Deferred outflows of resources</b>	 <b>5,028,634</b>	 <b>4,125,268</b>	 <b>21.90 %</b>
Current liabilities	4,813,790	1,243,010	287.27 %
Long-term debt outstanding	29,956,471	29,682,015	0.92 %
Net pension liability	63,199,691	61,392,296	2.94 %
Net OPEB liability	4,115,437	3,800,249	8.29 %
<b>Total liabilities</b>	<b>102,085,389</b>	<b>96,117,570</b>	<b>6.21 %</b>
 <b>Deferred inflows of resources</b>	 <b>3,508,824</b>	 <b>8,137,158</b>	 <b>-56.88 %</b>
 <b>Net position:</b>			
Net investment in capital assets	25,989,384	4,321,266	501.43 %
Restricted	10,187,573	38,616,111	-73.62 %
Unrestricted	(49,689,871)	(65,623,365)	24.28 %
<b>Total net position</b>	<b>\$ (13,512,914)</b>	<b>\$ (22,685,988)</b>	<b>40.43 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$ 49,689,871)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	65,795,318
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 16,105,447</u>

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

- Decrease in current assets of \$12,842,972 and an increase in restricted assets of \$10,673,973.
- Increase in net capital assets in the amount of \$11,778,192.
- Increase in long-term debt outstanding of \$274,456.
- Increase in net pension liability of \$1,807,395.

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**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$51,621,519 and \$50,933,072, respectively. The total cost of all programs and services was \$42,410,517 for 2020 and \$43,592,871 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

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

	Year Ended June 30, 2020	Year Ended June 30, 2019	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 421,226	\$ 344,393	22.31 %
Operating grants and contributions	11,384,033	10,554,444	7.86 %
Capital grants and contributions	41,595	-	N/A %
General revenues:			
Property taxes	20,167,175	19,935,259	1.16 %
Grants and contributions not restricted	18,539,063	18,871,647	(1.76) %
Investment earnings	653,253	777,321	(15.96) %
Sixteenth section sources	126,162	136,046	(7.27) %
Other	289,012	313,962	(7.95) %
<b>Total revenues</b>	<b>51,621,519</b>	<b>50,933,072</b>	<b>1.35 %</b>
<b>Expenses:</b>			
Instruction	21,778,992	21,172,027	2.87 %
Support services	15,758,424	15,620,737	0.88 %
Non-instructional	2,613,892	2,856,469	(8.49) %
Sixteenth section	32,708	30,273	8.04 %
Pension expense	790,583	3,540,840	(77.67) %
OPEB expense	158,725	114,525	38.59 %
Interest on long-term liabilities	1,277,193	258,000	395.04 %
<b>Total expenses</b>	<b>42,410,517</b>	<b>43,592,871</b>	<b>(2.71) %</b>
<b>Increase (Decrease) in net position</b>	<b>9,211,002</b>	<b>7,340,201</b>	<b>25.49 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(22,685,988)</b>	<b>(30,026,189)</b>	24.45 %
<b>Prior Period Adjustments</b>	<b>(64,185)</b>	-	N/A %
<b>Fund Reclassification</b>	<b>26,257</b>	-	N/A %
<b>Net Position, July 1, as restated</b>	<b>(22,723,916)</b>	<b>(30,026,189)</b>	<b>24.32 %</b>
<b>Net Position, June 30</b>	<b>\$ (13,512,914)</b>	<b>\$ (22,685,988)</b>	<b>40.43 %</b>

**Governmental activities**

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB 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.

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**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2020</b>	<b>2019</b>	<b>Change</b>
Instruction	\$ 21,778,992	\$ 21,172,027	2.87 %
Support services	15,758,424	15,620,737	0.88 %
Non-instructional	2,613,892	2,856,469	(8.49) %
Sixteenth section	32,708	30,273	8.04 %
Pension Expense	790,583	3,540,840	(77.67) %
OPEB Expense	158,725	114,525	38.59 %
Interest on long-term liabilities	1,277,193	258,000	395.04 %
<b>Total expenses</b>	<b>\$ 42,410,517</b>	<b>\$ 43,592,871</b>	<b>(2.71) %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2020</b>	<b>2019</b>	<b>Change</b>
Instruction	\$ (16,944,479)	\$ (17,112,646)	0.98 %
Support services	(11,785,145)	(12,341,513)	4.51 %
Non-instructional	283,173	703,763	(59.76) %
Sixteenth section	(32,708)	(30,273)	(8.04) %
Pension Expense	(790,583)	(3,540,840)	77.67 %
OPEB Expense	(158,725)	(114,525)	(38.59) %
Interest on long-term liabilities	(1,135,196)	(258,000)	(340.00) %
<b>Total net (expense) revenue</b>	<b>\$ (30,563,663)</b>	<b>\$ (32,694,034)</b>	<b>6.52 %</b>

- Net cost of governmental activities [(\$30,563,663) for 2020 and (\$32,694,034) for 2019] was financed by general revenue, which is primarily made up of property taxes (\$20,167,175 for 2020 and \$19,935,259 for 2019) and state and federal revenues (\$18,539,063 for 2020 and \$18,871,647 for 2019). In addition, there was \$126,162 and \$136,046 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$653,253 for 2020 and \$777,321 for 2019.

## 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 \$40,479,809, a decrease of \$5,516,888, which includes a prior period adjustment of \$43,650, a fund reclassification of \$26,257, and an increase in inventory of \$17,826. \$7,561,603 or 19% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$32,918,206 or 81% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted,

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
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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 \$4,766,603, which included a prior period adjustment of \$45,588 and a fund reclassification of \$26,257. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,272,865, which included a prior period adjustment of (\$1,938) and an increase in reserve for inventory of \$17,826. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Construction FY 19 Bond Issue Fund	\$ (11,556,356)

## 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 is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2020, the District's total capital assets were \$67,638,402, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$11,880,344, which includes a prior period adjustment of (\$539,179), from 2019. Total accumulated depreciation as of June 30, 2020, was \$25,544,944, and total depreciation expense for the year was \$1,282,021, resulting in total net capital assets of \$42,093,458.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 522,861	\$ 522,861	0.00 %
Construction in Progress	11,839,849	1,292,514	816.03 %
Buildings	21,164,837	21,884,614	(3.29) %
Building improvements	2,837,310	1,015,517	179.40 %
Improvements other than buildings	3,986,871	4,082,923	(2.35) %
Mobile equipment	1,479,172	1,225,712	20.68 %
Furniture and equipment	262,558	291,125	(9.81) %
<b>Total</b>	<b><u>\$ 42,093,458</u></b>	<b><u>\$ 30,315,266</u></b>	<b>38.85 %</b>

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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2020

**Debt Administration.** At June 30, 2020, the District had \$29,956,471 in outstanding long-term debt, \$985,000 of which is due within one year. The liability for compensated absences increased \$209,456 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage</u> <u>Change</u>
General obligation bonds payable	\$ 21,665,000	\$ 22,190,000	(2.37) %
Three mill limited tax notes payable	1,870,000	1,280,000	46.09 %
Qualified school construction bonds payable	6,000,000	6,000,000	0.00 %
Compensated absences payable	421,471	212,015	98.79 %
<b>Total</b>	<b><u>\$ 29,956,471</u></b>	<b><u>\$ 29,682,015</u></b>	<b><u>0.92 %</u></b>

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

## **CURRENT ISSUES**

The Hattiesburg Public School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. 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, Mississippi 39403.

## FINANCIAL STATEMENTS

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2020**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 26,276,709
Due from other governments	2,325,074
Prepaid items	39,917
Inventories	82,074
Restricted assets	16,235,433
Capital assets, net of accumulated depreciation:	42,093,458
Total Assets	<u>87,052,665</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	4,550,663
Deferred outflows - OPEB	477,971
Total deferred inflows of resources	<u>5,028,634</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	4,422,230
Accrued interest payable	334,392
Unearned revenue	57,168
Long-term liabilities, due within one year:	
Capital related liabilities	809,500
Non-capital related liabilities	175,500
Net OPEB liability	149,931
Long-term liabilities, due beyond one year:	
Capital related liabilities	25,396,500
Non-capital related liabilities	3,574,971
Net pension liability	63,199,691
Net OPEB liability	3,965,506
Total Liabilities	<u>102,085,389</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	2,953,188
Deferred inflows - OPEB	555,636
Total deferred inflows of resources	<u>3,508,824</u>
<b>Net Position</b>	
Net investment in capital assets	25,989,384
Restricted for:	
Expendable:	
School-based activities	1,924,843
Debt service	5,154,970
Unemployment benefits	47,940
Non-expendable:	
Sixteenth section	3,059,820
Unrestricted	(49,689,871)
Total Net Position	<u>\$ (13,512,914)</u>

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



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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2020**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 21,778,992	304,087	4,530,426		(16,944,479)
Support services	15,758,424	54,002	3,919,277		(11,785,145)
Non-instructional	2,613,892	63,137	2,792,333	41,595	283,173
Sixteenth section	32,708				(32,708)
Pension expense	790,583				(790,583)
OPEB expense	158,725				(158,725)
Interest on long-term liabilities	1,277,193		141,997		(1,135,196)
Total Governmental Activities	<u>\$ 42,410,517</u>	<u>421,226</u>	<u>11,384,033</u>	<u>41,595</u>	<u>(30,563,663)</u>
General Revenues:					
Taxes:					
General purpose levies					
					17,785,423
Debt service levies					
					2,381,752
Unrestricted grants and contributions:					
State					
					18,469,943
Federal					
					69,120
Unrestricted investment earnings					
					653,253
Sixteenth section sources					
					126,162
Other					
					289,012
Total General Revenues					<u>39,774,665</u>
Change in Net Position					<u>9,211,002</u>
Net Position - Beginning, as previously reported					(22,685,988)
Prior Period Adjustments					(64,185)
Fund Reclassification					26,257
Net Position - Beginning, as restated					<u>(22,723,916)</u>
Net Position - Ending					<u>\$ (13,512,914)</u>

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

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2020**

**Exhibit C**

	Major Funds			
	General Fund	Construction FY 19 Bond Issue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 20,347,457	11,936,902	4,388,606	36,672,965
Cash with fiscal agents			2,114,298	2,114,298
Investments			3,712,832	3,712,832
Accrued interest			12,047	12,047
Due from other governments	678,731		1,646,343	2,325,074
Due from other funds	1,314,893		1,576	1,316,469
Advance to other funds			813,926	813,926
Inventories			82,074	82,074
Prepaid items	39,917			39,917
Total assets	22,380,998	11,936,902	12,771,702	47,089,602
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	1,776,370	1,834,976	799,356	4,410,702
Due to other funds	1,576		1,314,893	1,316,469
Advances from other funds	813,926			813,926
Unearned revenue			57,168	57,168
Other payables	11,528			11,528
Total Liabilities	2,603,400	1,834,976	2,171,417	6,609,793
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	39,917			39,917
Inventory			82,074	82,074
Permanent fund principal			2,245,894	2,245,894
Advances			813,926	813,926
<b>Restricted:</b>				
Debt service			5,489,362	5,489,362
Capital improvements		10,101,926		10,101,926
Grant activities			1,802,852	1,802,852
Unemployment benefits			47,940	47,940
<b>Assigned:</b>				
Student activities	222,912			222,912
Instructional activities	41,871			41,871
Technology projects	84,645			84,645
Capital improvements	11,826,650		5,844	11,832,494
Unemployment benefits			74,702	74,702
Expendable interest income in permanent fund			37,691	37,691
<b>Unassigned</b>	7,561,603			7,561,603
Total Fund Balances	19,777,598	10,101,926	10,600,285	40,479,809
Total liabilities and fund balances	\$ 22,380,998	11,936,902	12,771,702	47,089,602

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

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2020**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 40,479,809

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	11,839,849	
Buildings	38,274,924	
Building improvements	3,589,748	
Improvements other than buildings	6,867,919	
Mobile equipment	3,508,129	
Furniture and equipment	3,034,972	
Accumulated depreciation	<u>(25,544,944)</u>	42,093,458

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

Net pension liability	(63,199,691)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	4,550,663	
Deferred inflows of resources related to pensions	<u>(2,953,188)</u>	(61,602,216)

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

Net OPEB liability	(4,115,437)	
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	477,971	
Deferred inflows of resources related to OPEB	<u>(555,636)</u>	(4,193,102)

4. 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	(21,665,000)	
Three mill limited tax notes payable	(1,870,000)	
Qualified school construction bonds payable	(6,000,000)	
Compensated absences	(421,471)	
Accrued interest payable	<u>(334,392)</u>	(30,290,863)

<b>Net Position of governmental activities</b>		<b><u>\$ (13,512,914)</u></b>
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The notes to the financial statements are an integral part of this statement.

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Exhibit D**

**For the Year Ended June 30, 2020**

	Major Funds			
	General	Construction	Other	Total
	Fund	FY 19 Bond Issue Fund	Governmental Funds	Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 18,462,086	225,140	2,733,333	21,420,559
State sources	19,387,472		1,740,218	21,127,690
Federal sources	101,960		8,735,041	8,837,001
Sixteenth section sources	130,963		96,852	227,815
Total Revenues	38,082,481	225,140	13,305,444	51,613,065
<b>Expenditures:</b>				
Instruction	18,721,124		5,191,031	23,912,155
Support services	13,405,129	51,669	3,437,313	16,894,111
Noninstructional services	1,622		2,731,509	2,733,131
Sixteenth section	32,708			32,708
Facilities acquisition and construction	138,797	11,729,827	816,329	12,684,953
Debt service:				
Principal			735,000	735,000
Interest	35,165		1,019,137	1,054,302
Other			4,500	4,500
Total Expenditures	32,334,545	11,781,496	13,934,819	58,050,860
Excess (Deficiency) of Revenues over (under) Expenditures	5,747,936	(11,556,356)	(629,375)	(6,437,795)
<b>Other Financing Sources (Uses):</b>				
Proceeds of notes			800,000	800,000
Insurance loss recovery	18,420			18,420
Sale of transportation equipment	6,300			6,300
Sale of other property	8,454			8,454
Transfer in to escrow agent			521,930	521,930
Operating transfers in	280,319		1,366,671	1,646,990
Operating transfers out	(1,366,671)		(280,319)	(1,646,990)
Transfer to QSCB escrow agent			(521,930)	(521,930)
Total Other Financing Sources (Uses)	(1,053,178)	0	1,886,352	833,174
Net Change in Fund Balances	4,694,758	(11,556,356)	1,256,977	(5,604,621)
<b>Fund Balances:</b>				
July 1, 2019, as previously reported	15,010,995	21,658,282	9,327,420	45,996,697
Prior period adjustments	45,588		(1,938)	43,650
Fund Reclassification	26,257			26,257
July 1, 2019, as restated	15,082,840	21,658,282	9,325,482	46,066,604
Increase (Decrease) in reserve for inventory			17,826	17,826
June 30, 2020	\$ 19,777,598	10,101,926	10,600,285	40,479,809

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



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**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, 2020**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (5,604,621)

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	\$ 13,383,378	
Depreciation expense	<u>(1,282,021)</u>	12,101,357

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>(215,330)</u>	(215,330)
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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:

Notes issued	(800,000)	
Payments of debt principal	735,000	
Accrued interest payable	<u>(222,891)</u>	(287,891)

4. Some items relating to pensions 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:

Pension expense	(790,583)	
Contributions subsequent to the measurement date	<u>4,208,493</u>	3,417,910

5. Some items relating to 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:

OPEB expense	(158,725)	
Contributions subsequent to the measurement date	<u>149,931</u>	(8,794)

6. 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 inventory reserve	17,826	
Change in compensated absences	<u>(209,456)</u>	(191,630)

7. Rounding	<u>1</u>	1
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<b>Change in Net Position of governmental activities</b>		<u><u>\$ 9,211,002</u></u>
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The notes to the financial statements are an integral part of this statement.

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## NOTES TO THE FINANCIAL STATEMENTS

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HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

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

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

**A. Financial Reporting Entity**

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

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

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

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

The Statement of Net Position presents the District's non-fiduciary assets, 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.

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 funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

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.

**Construction FY 19 Bond Issue Fund** – This is a capital projects fund that accounts for the proceeds of the General Obligation Bond Series 2019 and related facilities acquisition and construction expenditures associated with the 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.

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

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

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

#### **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. 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

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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" (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



HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

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.

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible 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.

The following schedule details the capitalization thresholds:

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

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which relate to deferred amounts on refunding of debt and are presented as deferred outflows on advance refunding of debt. The school district has also incurred deferred outflows which are presented as deferred outflows related to pensions and deferred outflows related to OPEB.

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 deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB.

See Note 8, Note 9, and Note 16 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.

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

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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 level of decision-making authority. The formal action required is approval in the official board minutes. Currently there are no committed fund balances for the 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 the Business Manager pursuant to authorization established by the School District's approved fund balance 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. It is the goal of the School District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than twelve (12) percent of general fund revenues for the year. If the unassigned fund balance at fiscal year end falls below the goal, the School District must develop a restoration plan to achieve and maintain the minimum fund balance.

13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months. The school district implemented GASB 84, *Fiduciary Activities*, for the 2019-2020 year ahead of the delayed implementation date, and the effects of that implementation are included in its financial statements.

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

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$36,672,965.

*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 school district's cash with fiscal agents held by financial institutions was \$2,114,298.

**Investments**

As of June 30, 2020, the district had the following investments in the governmental funds.

Investment Type	Rating	Maturities (in years)	Fair Value
U. S. Treasury Bonds and Notes	NR	1 to 15 years	\$ 1,798,900
Federal Asset Backed Securities	AA+	1 to 5 years	862,894
Municipal Bonds	AA/AA-	1 to 10 years	680,969
U.S. Treasury/Agency Securities	NR	N/A	370,069
Total			<u>\$ 3,712,832</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted

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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.

The district has the following recurring fair value measurements as of June 30, 2020:

- 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, 2020, 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	Other governmental funds	\$ 1,314,893
Other governmental funds	General Fund	1,576
Total		<u>\$ 1,316,469</u>

The inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenues funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the Federal government. Inter-fund balances also include amounts due other governmental funds from the General Fund created by inter-fund transfers at year end.

#### B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,366,671
Other governmental funds	General Fund	280,319
Total		<u>\$ 1,646,990</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds and transfers of indirect costs from special revenue funds to the General Fund.

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**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, cash with fiscal agents balance, investment balance, and accrued interest balance, totaling \$294,331, \$67,663, \$1,913,932, and \$7,660, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. Restricted assets also include the cash with fiscal agents balance, totaling \$2,024,754 of the 2009 QSCB Debt Service Asset Fund and the cash with fiscal agents balance, investment balance, and accrued interest balance, totaling \$21,879 \$1,798,900, and \$4,388, respectively, of the 2010 QSCB Debt Service Asset Fund. Restricted assets further include the cash and cash equivalents balance of \$10,101,926, which represents unspent general obligation bonds proceeds in the Construction FY 19 Bond Issue Fund. Total restricted assets shown on the Statement of Net Position is \$16,235,433.

**Note 5 – Capital Assets**

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

	Balance 7/1/2019	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2020
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 522,861					522,861
Construction-in-progress	1,292,514	12,684,953		(2,137,618)		11,839,849
Total non-depreciable capital assets	1,815,375	12,684,953	-	(2,137,618)	-	12,362,710
<u>Depreciable capital assets:</u>						
Buildings	38,814,103				(539,179)	38,274,924
Building improvements	1,637,367		46,440	1,998,821		3,589,748
Improvements other than buildings	6,802,076		72,954	138,797		6,867,919
Mobile equipment	3,677,016	618,300	787,187			3,508,129
Furniture and equipment	3,012,121	80,125	57,274			3,034,972
Total depreciable capital assets	53,942,683	698,425	963,855	2,137,618	(539,179)	55,275,692
<u>Less accumulated depreciation for:</u>						
Buildings	16,929,489	611,942		-	(431,344)	17,110,087
Building improvements	621,850	143,590	13,002	-		752,438
Improvements other than buildings	2,719,153	220,258	58,363			2,881,048
Mobile equipment	2,451,304	197,056	620,458	-	1,055	2,028,957
Furniture and equipment	2,720,996	109,175	56,702		(1,055)	2,772,414
Total accumulated depreciation	25,442,792	1,282,021	748,525	-	(431,344)	25,544,944
Total depreciable capital assets, net	28,499,891	(583,596)	215,330	2,137,618	(107,835)	29,730,748
Governmental activities capital assets, net	\$ 30,315,266	12,101,357	215,330	-	(107,835)	42,093,458

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 506,339
Support services	672,059
Non-instructional	103,623
Total depreciation expense - Governmental activities	<u>\$ 1,282,021</u>

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The details of construction-in-progress are as follows:

	Spent to June 30, 2020	Remaining Commitment
<b>Governmental Activities:</b>		
HVAC and Capital Improvements: Thames Elementary, Rowan Elementary, and Grace Christian Elementary	\$ 2,748,312	407,617
Hattiesburg High School Renovations Phase 2	7,435,250	9,472,062
Hattiesburg High School Field Turf Replacement	816,329	31,769
Roofing Project - Thames and Lilley Burney	644,288	311,522
Burger Middle School Renovations	195,670	5,256,405
Total governmental activities	\$ 11,839,849	15,479,375

Construction and renovation projects included in governmental activities are funded with amounts remaining in the Construction FY 19 Bond Issue Fund and future assignments of unassigned fund balance in the General Fund.

#### Note 6 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. General obligation bonds payable	\$ 22,190,000		525,000	21,665,000	640,000
B. Three mill limited tax notes payable	1,280,000	800,000	210,000	1,870,000	320,000
C. Qualified school construction bonds payable	6,000,000			6,000,000	-
D. Compensated absences payable	212,015	233,640	24,184	421,471	25,000
Total	\$ 29,682,015	1,033,640	759,184	29,956,471	985,000

#### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2019	0.30%	1-Apr-19	1-Apr-39	\$ 22,500,000	\$ 21,665,000
Total				\$ 22,500,000	\$ 21,665,000

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

General obligation refunding bond issue of April 1, 2019:

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Year Ending	Principal	Interest	Total
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	890,000	659,375	1,549,375
2026-2030	5,365,000	2,720,125	8,085,125
2031-2035	6,555,000	1,743,075	8,298,075
2036-2039	6,075,000	521,419	6,596,419
Total	<u>\$ 21,665,000</u>	<u>8,566,894</u>	<u>30,231,894</u>

This debt will be retired from the Bond 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 the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2020, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2019.

**B. Three mill limited tax notes payable**

Three mill limited tax notes payable outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax note, series 2012	2.42%	15-Jun-12	15-Jun-25	\$ 2,700,000	\$ 1,070,000
2. Limited tax note, series 2019	2.59%	25-Jul-19	25-Jul-25	800,000	800,000
Total				<u>\$ 3,500,000</u>	<u>\$ 1,870,000</u>

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

Limited tax note of June 15, 2012-

Year Ending June 30	Principal	Interest	Total
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	205,000	6,663	211,663
Total	<u>\$ 1,070,000</u>	<u>93,976</u>	<u>1,163,976</u>

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



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Limited tax note of July 25, 2019-

Year Ending June 30	Principal	Interest	Total
2021	\$ 105,000	20,720	125,720
2022	110,000	18,001	128,001
2023	120,000	15,152	135,152
2024	130,000	12,043	142,043
2025	165,000	8,676	173,676
2026	170,000	4,403	174,403
Total	<u>\$ 800,000</u>	<u>78,995</u>	<u>878,995</u>

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

The school district has pledged a portion of the future state Education Enhancement Fund revenue to repay \$800,000 in three mill limited tax notes issued on July 25, 2019. Proceeds from the notes were used to finance capital improvements made to the district's buildings. The notes are payable through July 25, 2025. This pledge is secondary to the prior pledge of Education Enhancement Fund revenue to the District's Series 2009 Qualified School Construction Bonds as referenced below in Note 6(C). Annual principal and interest payments on the notes are expected to require all of such pledged revenues with the remaining amounts to be paid through the avails of a local debt service tax levy. Principal and interest payments remaining to be paid on the three mill limited tax note are \$800,000 and \$78,995, respectively. State Education Enhancement Fund revenue for the year ended June 30, 2020, was \$173,863, and there were no principal or interest payments due on this debt for the year.

Total three mill limited tax note series – all series

Year Ending June 30	Principal	Interest	Total
2021	\$ 320,000	50,883	370,883
2022	330,000	43,057	373,057
2023	345,000	34,433	379,433
2024	335,000	24,856	359,856
2025	370,000	15,339	385,339
2026	170,000	4,403	174,403
Total	<u>\$ 1,870,000</u>	<u>172,971</u>	<u>2,042,971</u>

**C. Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. QSCB, Series 2009 Series	0.94%	15-Sep-09	15-Sep-24	\$ 3,000,000	\$ 3,000,000
2. QSCB, Series 2010 Series	1.25%	1-Dec-10	1-Dec-25	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>

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

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Qualified School Construction Bonds of September 15, 2009-

Year Ending June 30	Principal	Interest	Total
2021	\$ -	28,200	28,200
2022	-	28,200	28,200
2023	-	28,200	28,200
2024	-	28,200	28,200
2025	3,000,000	28,200	3,028,200
Total	<u>\$ 3,000,000</u>	<u>141,000</u>	<u>3,141,000</u>

This debt will be retired from the 2009 QSCB Debt Retirement Fund.

Qualified School Construction Bonds of December 1, 2010-

Year Ending June 30	Principal	Interest	Total
2021	\$ -	165,000	165,000
2022	-	165,000	165,000
2023	-	165,000	165,000
2024	-	165,000	165,000
2025	-	165,000	165,000
2026	3,000,000	165,000	3,165,000
Total	<u>\$ 3,000,000</u>	<u>990,000</u>	<u>3,990,000</u>

This debt will be retired from the 2010 QSCB Debt Retirement Fund.

Total Qualified School Construction Bonds- all issues

Year Ending June 30	Principal	Interest	Total
2021	\$ -	193,200	193,200
2022	-	193,200	193,200
2023	-	193,200	193,200
2024	-	193,200	193,200
2025	3,000,000	193,200	3,193,200
2026	3,000,000	165,000	3,165,000
Total	<u>\$ 6,000,000</u>	<u>1,131,000</u>	<u>7,131,000</u>

The school district has pledged a portion of future state Education Enhance Fund revenue to repay the \$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 14, minimum total sinking fund payments remaining to be paid on the Series 2009 bonds is \$1,000,000, while the minimum total annual sinking fund payments remaining to be paid on the Series 2010 bonds is \$1,200,000. Sinking fund payments for the current year and the total Education Enhancement Fund pledged revenues were \$521,930 and \$173,863, respectively.

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**D. 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.

**Note 7 – Other Commitments**

Commitments under construction contracts are described in Note 5.

**Operating Leases:**

The school district has operating leases for copiers. Lease expenditures for the year ended June 30, 2020, amounted to \$27,279.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2021	\$ 5,945
Total	<u>\$ 5,945</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](http://www.pers.ms.gov).

*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.

*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, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by

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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, 2020, 2019 and 2018 were \$4,208,493, \$3,685,032 and \$3,712,754, 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, 2020, the school district reported a liability of \$63,199,691 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2020 net pension liability was 0.359253 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.009847 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$790,583. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 109,412	\$ 174,874
Net difference between projected and actual earnings on pension plan investments		427,622
Changes of assumptions	232,758	13,784
Changes in proportion and differences between District contributions and proportionate share of contributions		2,336,908
District contributions subsequent to the measurement date	4,208,493	
Total	\$ <u>4,550,663</u>	\$ <u>2,953,188</u>

\$4,208,493 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, 2021. 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:	
2021	\$ (1,327,684)
2022	(1,444,303)
2023	(127,570)
2024	288,539

*Actuarial assumptions.* The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male

HATTIESBURG PUBLIC SCHOOL DISTRICT  
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For the Year Ended June 30, 2020

rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent 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>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.25	
Total	100	%		

*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 current contribution rate (17.40%). 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 table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) 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	\$ 83,078,183	\$ 63,199,691	\$ 46,791,780

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

## Note 9 – Other Postemployment Benefits (OPEB)

### General Information about the OPEB Plan.

*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/>.

HATTIESBURG PUBLIC SCHOOL DISTRICT  
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For the Year Ended June 30, 2020

*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 \$149,931 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$4,115,437 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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. 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, 2019, the District's proportion was 0.48500156 percent. This was a decrease of 0.00629844 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$158,725. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,223	\$ 58,908
Changes of assumptions	306,817	213,406
Net difference between projected and actual earnings on OPEB plan investments	78	
Changes in proportion and differences between District contributions and proportionate share of contributions	14,922	283,322
District contributions subsequent to the measurement date	149,931	
<b>Total</b>	<b>\$ <u>477,971</u></b>	<b>\$ <u>555,636</u></b>

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

\$149,931 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, 2021. 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:

2021	\$	(76,026)
2022		(76,026)
2023		(76,026)
2024		(46,401)
2025		31,761
Thereafter		15,122

*Actuarial assumptions.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

The long-term expected rate of return on OPEB plan investments is 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. 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 the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 4,571,533	\$ 4,115,437	\$ 3,725,205

*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	\$ 3,813,587	\$ 4,115,437	\$ 4,457,383

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that 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 from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.



HATTIESBURG PUBLIC SCHOOL DISTRICT  
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For the Year Ended June 30, 2020

Year Ending June 30	Amount
2021	\$ 73,609
2022	73,609
2023	73,609
2024	72,085
2025	72,085
2026 – 2030	353,557
2031 – 2035	325,987
2036 – 2040	289,669
2041 – 2045	185,660
Thereafter	201,840
Total	<u>\$ 1,721,710</u>

### Note 11 – Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Restatement of Prior Year Asset or Liability	\$ 43,650
2. Restatement of a Capital Asset	(107,835)
Total	<u>\$ (64,185)</u>

#### Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	Restatement of Prior Year Asset or Liability	\$ 45,588
Other governmental funds	Restatement of Prior Year Asset or Liability	(1,938)
Total		<u>\$ 43,650</u>

### Note 12 – Contingencies

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. However, the school district's legal counsel has not identified any pending or threatened lawsuits or proceedings that may have a material adverse effect on the financial condition of the school district.

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

### Note 13 – Risk Management

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

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

**Note 14 – Qualified School Construction Bonds**

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2020 was \$2,024,754 for the Series 2009 Issue, which included cash with fiscal agents. The amount on deposit at June 30, 2020, for the Series 2010 Issue was \$1,825,167, which included cash with fiscal agents (\$21,879), investments (\$1,798,900), and accrued interest (\$4,388). 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 fund by the school district.

Year Ending June 30	2009 Series	2010 Series	Total
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	200,000	200,000	400,000
2026		200,000	200,000
Total	\$ 1,000,000	1,200,000	2,200,000

**Note 15 – Insurance loss recoveries**

The Hattiesburg Public School District received \$18,420 in insurance loss recoveries related to school bus damages caused during an accident during the 2019-2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 18,420	100%	Support services
\$ 18,420	100%	

**Note 16 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$49,689,871) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$4,208,493 resulting from the school district contribution subsequent to the measurement date will be recognized as a

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

reduction of the net pension liability in the year ended June 30, 2021. The \$342,170 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$49,689,871) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,953,188 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$49,689,871) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$149,931 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$328,040 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$49,689,871) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$555,636 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

#### **Note 17 – Fund Reclassification**

The school district reclassified certain fiduciary funds as general funds during the implementation of GASB Statement No. 84, *Fiduciary Activities*. The district reclassified \$26,257 of amounts formerly held in student club accounts and reported previously as fiduciary assets to general funds.

#### **Note 18 – State Compliance Testing**

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

#### **Note 19 - 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 January 15, 2021, and determined that no events had occurred that would require disclosure.

## REQUIRED SUPPLEMENTARY INFORMATION

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 18,661,521	18,462,085	18,462,086	(199,436)	1
State sources	19,053,526	19,387,472	19,387,472	333,946	0
Federal sources	63,461	101,960	101,960	38,499	0
Sixteenth section sources	170,000	130,963	130,963	(39,037)	0
Total Revenues	37,948,508	38,082,480	38,082,481	133,972	1
<b>Expenditures:</b>					
Instruction	20,308,906	18,726,255	18,721,124	1,582,651	5,131
Support services	16,354,126	13,405,129	13,405,129	2,948,997	0
Noninstructional services	6,581,628	1,622	1,622	6,580,006	0
Sixteenth section	0	32,708	32,708	(32,708)	0
Facilities acquisition and construction	0	138,797	138,797	(138,797)	0
Debt service:					
Principal	56,042	56,042	0	0	56,042
Interest	35,164	35,165	35,165	(1)	0
Total Expenditures	43,335,866	32,395,718	32,334,545	10,940,148	61,173
Excess (Deficiency) of Revenues over (under) Expenditures	(5,387,358)	5,686,762	5,747,936	11,074,120	61,174
<b>Other Financing Sources (Uses):</b>					
Insurance loss recovery	0	18,420	18,420	18,420	0
Sale of transportation equipment	0	6,300	6,300	6,300	0
Sale of other property	0	8,454	8,454	8,454	0
Operating transfers in	6,171,462	9,925,019	280,319	3,753,557	(9,644,700)
Operating transfers out	(7,288,382)	(11,011,371)	(1,366,671)	(3,722,989)	9,644,700
Total Other Financing Sources (Uses)	(1,116,920)	(1,053,178)	(1,053,178)	63,742	0
Net Change in Fund Balances	(6,504,278)	4,633,584	4,694,758	11,137,862	61,174
<b>Fund Balances:</b>					
July 1, 2019, as previously reported	14,714,643	15,010,996	15,010,995	296,353	(1)
Prior period adjustments	0	(4,880)	45,588	(4,880)	50,468
Fund reclassification	0	0	26,257	0	26,257
July 1, 2019, as restated	14,714,643	15,006,116	15,082,840	291,473	76,724
June 30, 2020	\$ 8,210,365	19,639,700	19,777,598	11,429,335	137,898

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

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.359253%	0.369100%	0.367900%	0.428800%	0.439400%	0.415100%
District's proportionate share of the net pension liability	\$ 63,199,691	61,392,296	61,157,467	76,594,387	67,922,575	51,058,006
District's covered payroll	23,397,029	23,573,041	23,598,470	27,431,486	27,452,508	25,364,660
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.43%	259.16%	279.22%	247.42%	201.30%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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.



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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 4,208,493	3,685,032	3,712,754	3,716,759	4,320,459	4,323,770
Contributions in relation to the contractually required contribution	4,208,493	3,685,032	3,712,754	3,716,759	4,320,459	4,323,770
Contribution deficiency (excess)	\$ 0	0	0	0	0	0
<hr/>						
District's covered payroll	\$ 24,186,741	23,397,029	23,573,041	23,598,470	27,431,486	27,452,508
Contributions as a percentage of covered payroll	17.40%	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.

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**OPEB**

**Last 10 Fiscal Years\***

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
District's proportion of the net OPEB liability	0.48500156%	0.49130000%	0.48860000%
District's proportionate share of the net OPEB liability	\$ 4,115,437	3,800,249	3,833,927
District's covered-employee payroll	23,397,029	23,573,041	23,598,470
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.59%	16.12%	16.25%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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.

\*\* The amount used to calculate this figure was based on the Plan's covered payroll as of the measurement date.

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

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution**	\$ 149,931	164,959	163,446
Contributions in relation to the actuarially determined contribution**	149,931	164,959	163,446
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>
District's covered-employee payroll	\$ 24,186,741	23,397,101	23,573,041
Contributions as a percentage of covered-employee payroll	0.62%	0.71%	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).

\*\* The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

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HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

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 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 Mortality Table projected with 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, 2020

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

(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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: 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, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.25%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%

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## SUPPLEMENTARY INFORMATION

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2020**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 756,320
National school lunch program	10.555	205MS326N1099	1,927,832
Summer food service program for children	10.559	205MS326N1099	44,684
Covid-19 Summer food service program for children	10.559	205MS326N1099	212,934
Subtotal			<u>2,941,770</u>
Total child nutrition cluster			<u>2,941,770</u>
Child and Adult Care Food Program	10.558	205MS340N1050	<u>4,224</u>
Total passed-through Mississippi Department of			<u>2,945,994</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>2,945,994</b></u>

**U.S. Department of Defense**

Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	66,862
<b>Total U.S. Department of Defense</b>			<u><b>66,862</b></u>

**U.S. Department of Education**

Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A170024 S010A180024 S010A190024	3,646,698
Career and technical education - basic grants to states	84.048	V048A190024	55,878
Education for homeless children and youth	84.196	S196A180025 S196A190025	68,773
English language acquisition state grants	84.365	S365A170024 S365A180024 S365A190024	5,058
Supporting Effective Instruction State Grants	84.367	S367A170023 S367A180023 S367A190023	352,941
Student support and enrichment program	84.424	S424A170025 S424A190025	138,060
COVID-19 - Education Stabilization Fund (ESSER)	84.425D	S425D200031	221,000
Subtotal			<u>4,488,408</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108 H027A180108 H027A190108	1,116,997
Special education - preschool grants	84.173	H173A170113 H173A180113 H173A190113	53,459
Total special education cluster			<u>1,170,456</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
Total passed-through Mississippi Department of Education			5,658,864
Passed-through the Mississippi Department of Rehabilitation Services			
Rehabilitation services - vocational rehabilitation grants to state	84.126	3100021449	11,673
Total passed-through Mississippi Department of Rehabilitation Services			11,673
<b>Total U.S. Department of Education</b>			<b>5,670,537</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	2005MSSADV	11,326
Total Medicaid cluster			11,326
Total passed-through Mississippi Department of Education			11,326
<b>Total U.S. Department of Health and Human Services</b>			<b>11,326</b>
<b><u>Social Security Administration</u></b>			
Passed-through Mississippi Department of Education:			
Social security disability insurance	96.001	04-20-04MSD100	1,400
Total passed-through Mississippi Department of Education			1,400
<b>Total Social Security Administration</b>			<b>1,400</b>
<b>Total for All Federal Awards</b>			<b>\$ 8,696,119</b>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Hattiesburg Public School District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

(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, 2020. 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 same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. . 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.

(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.



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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

**For the Year Ended June 30, 2020**

<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	\$ 33,127,303	25,595,980	1,410,069	2,445,255	3,675,999
Other	24,923,557	4,129,603	488,761	25,295	20,279,898
Total	<u>\$ 58,050,860</u>	<u>29,725,583</u>	<u>1,898,830</u>	<u>2,470,550</u>	<u>23,955,897</u>
Total number of students *	<u>3,724</u>				
Cost per student	<u>\$ 15,588</u>	<u>7,982</u>	<u>510</u>	<u>663</u>	<u>6,433</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

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## OTHER INFORMATION

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2020	2019*	2018*	2017*
<b>Revenues:</b>				
Local sources	\$ 18,462,086	18,150,570	17,476,500	17,420,685
State sources	19,387,472	18,702,285	18,737,418	18,302,873
Federal sources	101,960	390,690	129,691	98,885
Sixteenth section sources	130,963	138,723	71,921	81,129
Total Revenues	38,082,481	37,382,268	36,415,530	35,903,572
<b>Expenditures:</b>				
Instruction	18,721,124	18,424,446	18,496,350	18,250,841
Support services	13,405,129	13,756,453	12,540,111	11,845,777
Noninstructional services	1,622	6,266	6,710	140,010
Sixteenth section	32,708	30,273	16,282	10,649
Facilities acquisition and construction	138,797			
Debt service:				
Interest	35,165	36,378	37,544	74,250
Total Expenditures	32,334,545	32,253,816	31,096,997	30,321,527
Excess (Deficiency) of Revenues over (under) Expenditures	5,747,936	5,128,452	5,318,533	5,582,045
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	18,420	12,254	10,636	5,947
Sale of transportation equipment	6,300			
Sale of other property	8,454	17,230		2,000
Operating transfers in	280,319	36,378	403,151	120,000
Operating transfers out	(1,366,671)	(742,750)	(1,160,695)	(694,683)
Total Other Financing Sources (Uses)	(1,053,178)	(676,888)	(746,908)	(566,736)
Net Change in Fund Balances	4,694,758	4,451,564	4,571,625	5,015,309
<b>Fund Balances:</b>				
Beginning of period, as previously reported	15,010,995	10,559,431	6,063,341	1,026,836
Prior period adjustments	45,588		5,959	(26,012)
Fund reclassification	26,257			
Beginning of period, as restated	15,082,840	10,559,431	6,069,300	1,000,824
Increase (Decrease) in reserve for inventory			(81,494)	47,208
End of Period	\$ 19,777,598	15,010,995	10,559,431	6,063,341

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**HATTIESBURG PUBLIC SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2020	2019*	2018*	2017*
<b>Revenues:</b>				
Local sources	\$ 21,420,559	21,218,818	20,032,955	19,774,417
State sources	21,127,690	20,321,573	20,724,675	20,626,459
Federal sources	8,837,001	9,104,519	8,672,992	8,840,620
Sixteenth section sources	227,815	264,109	113,238	120,162
Total Revenues	51,613,065	50,909,019	49,543,860	49,361,658
<b>Expenditures:</b>				
Instruction	23,912,155	23,223,875	22,451,374	22,827,514
Support services	16,894,111	17,245,508	16,561,592	14,961,907
Noninstructional services	2,733,131	2,839,780	3,043,880	3,449,181
Sixteenth section	32,708	30,273	16,282	10,649
Facilities acquisition and construction	12,684,953	1,040,922		
Debt service:				
Principal	735,000	1,869,270	2,950,293	2,395,416
Interest	1,054,302	321,625	558,707	493,829
Other	4,500	5,480	2,250	7,550
Total Expenditures	58,050,860	46,576,733	45,584,378	44,146,046
Excess (Deficiency) of Revenues over (under) Expenditures	(6,437,795)	4,332,286	3,959,482	5,215,612
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	800,000	22,500,000		
Insurance recovery	18,420	24,053	864,047	5,947
Sale of transportation equipment	6,300			
Sale of other property	8,454	17,255		2,000
Transfer in to escrow agent	521,930	546,128	566,539	584,094
Operating transfers in	1,646,990	865,128	1,563,846	814,683
Transfer to QSCB escrow agent	(521,930)	(546,128)	(566,539)	(584,094)
Operating transfers out	(1,646,990)	(865,128)	(1,563,846)	(814,683)
Total Other Financing Sources (Uses)	833,174	22,541,308	864,047	7,947
Net Change in Fund Balances	(5,604,621)	26,873,594	4,823,529	5,223,559
<b>Fund Balances:</b>				
Beginning of period, as previously reported	45,996,697	19,156,592	14,431,721	9,286,906
Prior period adjustments	43,650		5,959	(162,965)
Fund reclassification	26,257			
Beginning of period, as restated	46,066,604	19,156,592	14,437,680	9,123,941
Increase (Decrease) in reserve for inventory	17,826	(33,489)	(104,617)	84,221
End of Period	\$ 40,479,809	45,996,697	19,156,592	14,431,721

\*SOURCE - PRIOR YEAR AUDIT REPORTS



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## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

### 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 Hattiesburg Public School District, as of and for the year ended June 30, 2020, 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 January 15, 2021.

#### **Internal Control Over Financial Reporting**

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

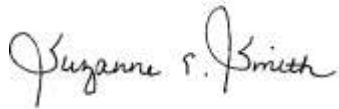
#### **Compliance and Other Matters**

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

POST OFFICE BOX 1563  
STARKVILLE, MS 39760  
PHONE: 601-938-5717

**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.

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi  
January 15, 2021

# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 Hattiesburg Public School District's major federal programs for the year ended June 30, 2020. The Hattiesburg Public School District's major federal programs are identified in the summary of the 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 Hattiesburg Public School District's major federal program 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination on the school district's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the 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 its major federal programs for the year ended June 30, 2020.

#### **Report on Internal Control Over Compliance**

Management of the 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

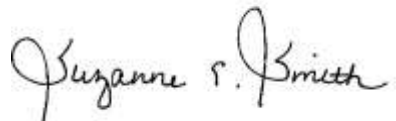
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on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance 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 the 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 a combination of deficiencies, in internal control over compliance, such that there is as 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 the 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.

A handwritten signature in dark ink, reading "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi  
January 15, 2021

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



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HATTIESBURG PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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:   |                     |   |                        |                         |  |
|                        | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><u>CFDA Numbers</u></td> <td style="width: 50%;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>10.553; 10.555; 10.559</td> <td>Child Nutrition Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.553; 10.555; 10.559 | Child Nutrition Cluster |  |
| <u>CFDA Numbers</u>    | <u>Name of Federal Program or Cluster</u>   |                     |   |                        |                         |  |
| 10.553; 10.555; 10.559 | Child Nutrition 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)   | Yes                 |   |                        |                         |  |
| 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). (Yes/No)  | No                  |   |                        |                         |  |

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*.

HATTIESBURG PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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.