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HATTIESBURG PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2021

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

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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, 2021, 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, 2021, 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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STARKVILLE, MS 39760
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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 9-16, 59, 61-63 and 65-67, 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.

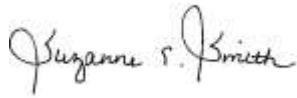
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for 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 February 15, 2022, 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

February 15, 2022

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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, 2021

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, 2021. 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 2021 increased \$6,528,975, including a prior period adjustment of (\$272,527), which represents a 48% increase from fiscal year 2020. 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.
- General revenues amounted to \$41,971,304 and \$39,774,665, or 74% and 77% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,817,594, or 26% of total revenues for 2021, and \$11,846,854, or 23% of total revenues for 2020.
- The District had \$49,987,396 and \$42,410,517 in expenses for fiscal years 2021 and 2020; only \$14,817,594 for 2021 and \$11,846,854 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$41,971,304 for 2021 and \$39,774,665 for 2020 were adequate to provide for these programs.
- Among major funds, the General Fund had \$39,063,465 in revenues and \$32,890,089 in expenditures for 2021, and \$38,082,481 in revenues and \$32,334,545 in expenditures in 2020. The General Fund's fund balance decreased by \$121,133, including a prior period adjustment of \$27,786, from 2020 to 2021, and increased by \$4,766,603, including a prior period adjustment of \$45,588 and a fund reclassification of \$26,257, from 2019 to 2020.
- Capital assets, net of accumulated depreciation, increased by \$12,321,214, including a prior period adjustment of (\$304,065), for 2021 and increased by \$11,778,192, including a prior period adjustment of (\$107,835), for 2020. The increase for 2021 was due to the addition of construction in progress, coupled with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$988,710 for 2021 and increased by \$274,456 for 2020. This decrease for 2021 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$28,710 for 2021 and increased by \$209,456 for 2020.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 fall into the category of governmental funds.

Governmental funds – 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 reported as expenditures on the governmental funds financial statements.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 \$6,983,939 as of June 30, 2021.

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, 2021 and June 30, 2020.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 30,579,926	\$ 28,723,774	6.46 %
Restricted assets	9,402,448	16,235,433	-42.09 %
Capital assets, net	54,414,672	42,093,458	29.27 %
Total assets	94,397,046	87,052,665	8.44 %
Deferred outflows of resources	9,118,162	5,028,634	81.32 %
Current liabilities	5,771,299	4,813,790	19.89 %
Long-term debt outstanding	28,967,761	29,956,471	-3.30 %
Net pension liability	70,317,494	63,199,691	11.26 %
Net OPEB liability	3,759,563	4,115,437	-8.65 %
Total liabilities	108,816,117	102,085,389	6.59 %
Deferred inflows of resources	1,683,030	3,508,824	-52.03 %
Net position:			
Net investment in capital assets	31,827,527	25,989,384	22.46 %
Restricted	11,529,745	10,187,573	13.17 %
Unrestricted	(50,341,211)	(49,689,871)	-1.31 %
Total net position	\$ (6,983,939)	\$ (13,512,914)	48.32 %

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)	(\$50,341,211)
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	66,641,925
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 16,300,714</u>

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

- The decrease in restricted assets of \$6,832,985.
- The increase in capital assets, net of depreciation, of \$12,321,214.
- The increase in current liabilities of \$957,509.
- The principal retirement of \$960,000 of long-term debt.
- The increase in net pension liability of \$7,117,803.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$56,788,898 and \$51,621,519, respectively. The total cost of all programs and services was \$49,987,396 for 2021 and \$42,410,517 for 2020.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Table 2
Changes in Net Position

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 471,680	\$ 421,226	11.98 %
Operating grants and contributions	14,345,914	11,384,033	26.02 %
Capital Grants and Contributions	-	41,595	(100.00) %
General revenues:			
Property Taxes	21,992,050	20,167,175	9.05 %
Grants and contributions not restricted	18,555,518	18,539,063	0.09 %
Investment earnings	496,341	653,253	(24.02) %
Sixteenth section sources	151,429	126,162	20.03 %
Other	775,966	289,012	168.49 %
Total revenues	56,788,898	51,621,519	10.01 %
Expenses:			
Instruction	24,913,201	21,778,992	14.39 %
Support services	16,415,219	15,758,424	4.17 %
Non-instructional	2,359,467	2,613,892	(9.73) %
Sixteenth section	47,531	32,708	45.32 %
Pension expense	5,209,306	790,583	558.92 %
OPEB expense	3,197	158,725	(97.99) %
Interest on long-term liabilities	1,039,475	1,277,193	(18.61) %
Total expenses	49,987,396	42,410,517	17.87 %
Increase (Decrease) in net position	6,801,502	9,211,002	(26.16) %
Net Position, July 1, as previously reported	(13,512,914)	(22,685,988)	40.43 %
Prior Period Adjustment	(272,527)	(64,185)	(324.60) %
Fund Reclassification	-	26,257	(100.00) %
Net Position, July 1, as restated	(13,785,441)	(22,723,916)	39.34 %
Net Position, June 30	\$ (6,983,939)	\$ (13,512,914)	48.32 %

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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2021	2020	Change
Instruction	\$ 24,913,201	\$ 21,778,992	14.39 %
Support services	16,415,219	15,758,424	4.17 %
Non-instructional	2,359,467	2,613,892	(9.73) %
Sixteenth section	47,531	32,708	45.32 %
Pension Expense	5,209,306	790,583	558.92 %
OPEB Expense	3,197	158,725	(97.99) %
Interest on long-term liabilities	1,039,475	1,277,193	(18.61) %
Total expenses	\$ 49,987,396	\$ 42,410,517	17.87 %

	Net (Expense) Revenue		Percentage
	2021	2020	Change
Instruction	\$ (16,644,039)	\$ (16,944,479)	1.77 %
Support services	(12,319,866)	(11,785,145)	(4.54) %
Non-instructional	93,612	283,173	(66.94) %
Sixteenth section	(47,531)	(32,708)	(45.32) %
Pension Expense	(5,209,306)	(790,583)	(558.92) %
OPEB Expense	(3,197)	(158,725)	97.99 %
Interest on long-term liabilities	(1,039,475)	(1,135,196)	8.43 %
Total net (expense) revenue	\$ (35,169,802)	\$ (30,563,663)	(15.07) %

- Net cost of governmental activities [(\$35,169,802) for 2021 and (\$30,563,663) for 2020] was financed by general revenue, which is primarily made up of property taxes (\$21,992,050 for 2021 and \$20,167,175 for 2020) and state and federal revenues (\$18,555,518 for 2021 and \$18,539,063 for 2020). In addition, there was \$151,429 and \$126,162 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$496,341 for 2021 and \$653,253 for 2020.

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 \$34,536,381, a decrease of \$5,943,428, which includes a prior period adjustment of \$31,537 and an increase in inventory of \$22,403. \$7,825,126 or 23% 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 \$26,711,255 or 77% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$121,133, which includes a prior period adjustment of \$27,786. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,470,276, which includes a prior period adjustment of \$3,751 and an increase in reserve for inventory of \$22,403. 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	\$ (7,292,571)

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, 2021, the District's total capital assets were \$80,307,942, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$12,669,540 from 2020. Total accumulated depreciation as of June 30, 2021, was \$25,893,270, and total depreciation expense for the year was \$1,386,458, resulting in total net capital assets of \$54,414,672.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 704,392	\$ 522,861	34.72 %
Construction in Progress	21,016,048	11,839,849	77.50 %
Buildings	20,540,606	21,164,837	(2.95) %
Building improvements	6,266,345	2,837,310	120.86 %
Improvements other than buildings	4,186,645	3,986,871	5.01 %
Mobile equipment	1,471,015	1,479,172	(0.55) %
Furniture and equipment	229,621	262,558	(12.54) %
Total	\$ 54,414,672	\$ 42,093,458	29.27 %

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Debt Administration. At June 30, 2021, the District had \$28,967,761 in outstanding long-term debt, of which \$1,030,000 is due within one year. The liability for compensated absences decreased \$28,710 from the prior year.

The District maintains an A3 bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 21,025,000	\$ 21,665,000	(2.95) %
Three mill limited tax notes payable	1,550,000	1,870,000	(17.11) %
Qualified school construction bonds payable	6,000,000	6,000,000	0.00 %
Compensated absences payable	392,761	421,471	(6.81) %
Total	<u>\$ 28,967,761</u>	<u>\$ 29,956,471</u>	<u>(3.30) %</u>

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, 2021

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 27,338,681
Due from other governments	3,106,615
Other receivables, net	30,154
Inventories	104,476
Restricted assets	9,402,448
Capital assets, net of accumulated depreciation	54,414,672
Total Assets	<u>94,397,046</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	8,393,544
Deferred outflows - OPEB	724,618
Total deferred inflows of resources	<u>9,118,162</u>
Liabilities	
Accounts payable and accrued liabilities	5,401,080
Interest payable on long-term liabilities	325,306
Unearned revenue	44,913
Long-term liabilities, due within one year:	
Capital related liabilities	851,000
Non-capital related liabilities	179,000
Net OPEB liability	124,467
Long-term liabilities, due beyond one year:	
Capital related liabilities	24,545,500
Non-capital related liabilities	3,392,261
Net pension liability	70,317,494
Net OPEB liability	3,635,096
Total Liabilities	<u>108,816,117</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	646,143
Deferred inflows - OPEB	1,036,887
Total deferred inflows of resources	<u>1,683,030</u>
Net Position	
Net investment in capital assets	31,827,527
Restricted for:	
Expendable:	
School-based activities	2,490,149
Debt service	5,861,243
Capital improvements	7,251
Unemployment benefits	47,280
Non-expendable:	
Sixteenth section	3,123,822
Unrestricted	(50,341,211)
Total Net Position	<u>\$ (6,983,939)</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

Exhibit B

For the Year Ended June 30, 2021

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	\$ 24,913,201	279,103	7,990,059		(16,644,039)
Support services	16,415,219	182,049	3,913,304		(12,319,866)
Non-instructional	2,359,467	10,528	2,442,551		93,612
Sixteenth section	47,531				(47,531)
Pension expense	5,209,306				(5,209,306)
OPEB expense	3,197				(3,197)
Interest on long-term liabilities	1,039,475				(1,039,475)
Total Governmental Activities	\$ 49,987,396	471,680	14,345,914	0	(35,169,802)
General Revenues:					
Taxes:					
General purpose levies					19,377,131
Debt purpose levies					2,614,919
Unrestricted grants and contributions:					
State					18,476,678
Federal					78,840
Unrestricted investment earnings					496,341
Sixteenth section sources					151,429
Other					775,966
Total General Revenues					41,971,304
Change in Net Position					6,801,502
Net Position - Beginning, as previously reported					(13,512,914)
Prior Period Adjustments					(272,527)
Net Position - Beginning, as restated					(13,785,441)
Net Position - Ending					<u>\$ (6,983,939)</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

Exhibit C

June 30, 2021

	Major Funds		Other	Total
	General	Construction	Governmental	Governmental
	Fund	FY 19 Bond Issue	Funds	Funds
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 21,335,402	3,685,217	5,478,879	30,499,498
Cash with fiscal agents			2,263,743	2,263,743
Investments			3,968,387	3,968,387
Due from other governments	640,177		2,466,438	3,106,615
Accrued interest receivable			9,501	9,501
Other receivables, net	30,154			30,154
Due from other funds	2,051,284		1,327	2,052,611
Advance to other funds			756,622	756,622
Inventories			104,476	104,476
Total assets	24,057,017	3,685,217	15,049,373	42,791,607
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	3,642,603	875,862	882,615	5,401,080
Due to other funds	1,327		2,051,284	2,052,611
Advances from other funds	756,622			756,622
Unearned revenue			44,913	44,913
Total Liabilities	4,400,552	875,862	2,978,812	8,255,226
Fund Balances:				
Nonspendable:				
Inventory			104,476	104,476
Permanent fund principal			2,367,200	2,367,200
Advances			756,622	756,622
Restricted:				
Debt service			6,186,549	6,186,549
Capital projects		2,809,355	7,251	2,816,606
Early childhood learning			648,328	648,328
Grant activities			1,737,345	1,737,345
Unemployment benefits			47,280	47,280
Assigned:				
Capital improvements	11,343,640		132,790	11,476,430
Unemployment benefits			82,720	82,720
Technology projects	158,795			158,795
Student activities	328,904			328,904
Unassigned	7,825,126			7,825,126
Total Fund Balances	19,656,465	2,809,355	12,070,561	34,536,381
Total liabilities and fund balances	\$ 24,057,017	3,685,217	15,049,373	42,791,607

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 Exhibit C-1
June 30, 2021

Total fund balances for governmental funds \$ 34,536,381

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	\$ 704,392	
Construction in progress	21,016,048	
Buildings	38,191,127	
Building improvements	7,311,232	
Improvements other than buildings	6,866,160	
Mobile equipment	3,620,219	
Furniture and equipment	2,598,764	
Accumulated depreciation	<u>(25,893,270)</u>	54,414,672

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

Net pension liability (70,317,494)

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	8,393,544	
Deferred inflows of resources related to pensions	<u>(646,143)</u>	(62,570,093)

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 (3,759,563)

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	724,618	
Deferred inflows of resources related to OPEB	<u>(1,036,887)</u>	(4,071,832)

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	(21,025,000)	
Three mill limited tax notes payable	(1,550,000)	
Qualified school construction bonds payable	(6,000,000)	
Compensated absences	(392,761)	
Accrued interest payable	<u>(325,306)</u>	(29,293,067)

Net Position of governmental activities \$ (6,983,939)

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
For the Year Ended June 30, 2021**

Exhibit D

	Major Funds			
	General Fund	Construction FY 19 Bond Issue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 20,036,157	79,405	3,397,797	23,513,359
State sources	18,737,955		1,788,694	20,526,649
Federal sources	130,957		12,243,286	12,374,243
Sixteenth section sources	158,396		64,002	222,398
Total Revenues	39,063,465	79,405	17,493,779	56,636,649
Expenditures:				
Instruction	17,917,154		8,969,695	26,886,849
Support services	13,365,669		3,828,735	17,194,404
Noninstructional services	2,313		2,456,642	2,458,955
Sixteenth section	47,531			47,531
Facilities acquisition and construction	1,523,519	7,371,976	5,297,026	14,192,521
Debt service:				
Principal			960,000	960,000
Interest	33,903		1,014,658	1,048,561
Other			6,000	6,000
Total Expenditures	32,890,089	7,371,976	22,532,756	62,794,821
Excess (Deficiency) of Revenues over (under) Expenditures	6,173,376	(7,292,571)	(5,038,977)	(6,158,172)
Other Financing Sources (Uses):				
Insurance recovery	2,249		150,000	152,249
Transfer in to escrow agent			529,224	529,224
Sale of other property	8,555			8,555
Operating transfers in	487,985		6,821,084	7,309,069
Operating transfers out	(6,821,084)		(487,985)	(7,309,069)
Transfer to QSCB escrow agent			(529,224)	(529,224)
Total Other Financing Sources (Uses)	(6,322,295)	0	6,483,099	160,804
Net Change in Fund Balances	(148,919)	(7,292,571)	1,444,122	(5,997,368)
Fund Balances:				
July 1, 2020, as previously reported	19,777,598	10,101,926	10,600,285	40,479,809
Prior period adjustments	27,786		3,751	31,537
July 1, 2020, as restated	19,805,384	10,101,926	10,604,036	40,511,346
Increase in reserve for inventory			22,403	22,403
June 30, 2021	\$ 19,656,465	2,809,355	12,070,561	34,536,381

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, 2021**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (5,997,368)

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	\$ 14,449,886	
Depreciation expense	<u>(1,386,458)</u>	13,063,428
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>(438,149)</u>	(438,149)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	960,000	
Accrued interest payable	<u>9,086</u>	969,086
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	(5,209,306)	
Contributions subsequent to the measurement date	<u>4,241,428</u>	(967,878)
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	(3,197)	
Contributions subsequent to the measurement date	<u>124,467</u>	121,270
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 compensated absences	28,710	
Change in inventory reserve	<u>22,403</u>	51,113
Change in Net Position of governmental activities		<u><u>\$ 6,801,502</u></u>

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

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HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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.

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 proceeds and the 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

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights,

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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

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

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

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 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 district has incurred deferred outflows which relate to pensions and deferred outflows which relate to other postemployment benefits (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 district has incurred deferred inflows which relate to pensions and deferred inflows which relate to other postemployment benefits (OPEB).

See Notes 8, 9, and 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

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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 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.

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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. This formal action is an order approved by the school board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Chief Financial Officer pursuant to authorization established by the school board'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*, during fiscal year 2020, ahead of the delayed implementation date, and the effects of the implementation are included in its financial statements.

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.

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(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 \$30,499,498.

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 \$2,263,743.

Investments

As of June 30, 2021, the district had the following investments:

HATTIESBURG SCHOOL DISTRICT
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Investment Type	Rating	Maturities (in years)	Fair Value
U. S. Treasury Bonds and Notes	AA+	Less than 5 years	\$ 2,078,865
	AA+	Less than 10 years	300,641
	AA+	Less than 15 years	122,215
Asset Backed Securities	AA+	Less than 5 years	48,578
	AA+	Less than 10 years	669,021
	AA+	Less than 15 years	113,068
Municipal Bonds	AA	Less than 5 years	273,410
	AA/AA-	Less than 10 years	264,202
U. S. Treasury/Agency Securities	AA+	Less than 10 years	98,387
Total			<u>\$ 3,968,387</u>

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

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, 2021, 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	\$ 2,051,284
Other governmental funds	General Fund	1,327
Total		<u>\$ 2,052,611</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 revenue

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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. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other governmental funds	General Fund	\$ 756,622
Total		<u>\$ 756,622</u>

The inter-fund advances represent sixteenth section principal loans due from the General Fund to the 16th Section Principal Funds.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2021 is four (4) percent.

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 58,616	32,591	91,207
2023	59,981	31,226	91,207
2024	61,400	29,807	91,207
2025	38,376	23,065	61,441
2026	39,911	21,530	61,441
2027 - 2031	224,816	82,388	307,204
2032 - 2036	273,522	33,680	307,202
Total	<u>\$ 756,622</u>	<u>254,287</u>	<u>1,010,909</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 6,821,084
Other governmental funds	General Fund	487,985
Total		<u>\$ 7,309,069</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.

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
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Note 4 – Restricted Assets

The restricted assets represent the cash, cash with fiscal agents, investments, and accrued interest balances, totaling \$351,462, \$41,208, \$1,969,487, and \$5,043, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which are legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the cash with fiscal agents, investments, and accrued interest balances, totaling \$22,222, \$1,998,900, and \$4,458, respectively, of the 2010 QSCB Debt Service Fund (Debt Service Fund) which are legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the cash with fiscal agents balance, totaling \$2,200,313, of the 2009 QSCB Debt Service Fund (Debt Service Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted asset represent the unobligated cash balance of \$2,809,355, which represents unspent and unobligated bond proceeds in the Construction FY 19 Bond Issue Fund which is legally restricted and may not be used for the purposes that support the district's programs. Total restricted assets shown on the Statement of Net Position is \$9,402,448.

Note 5 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2021
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 522,861	181,531				704,392
Construction-in-progress	11,839,849	14,010,990		(4,530,726)	(304,065)	21,016,048
Total non-depreciable capital assets	12,362,710	14,192,521	-	(4,530,726)	(304,065)	21,720,440
<u>Depreciable capital assets:</u>						
Buildings	38,274,924		83,797			38,191,127
Building improvements	3,589,748			3,721,484		7,311,232
Improvements other than buildings	6,867,919		811,001	809,242		6,866,160
Mobile equipment	3,508,129	208,264	96,174			3,620,219
Furniture and equipment	3,034,972	49,101	485,309			2,598,764
Total depreciable capital assets	55,275,692	257,365	1,476,281	4,530,726	-	58,587,502
<u>Less accumulated depreciation for:</u>						
Buildings	17,110,087	607,472	67,038			17,650,521
Building improvements	752,438	292,449				1,044,887
Improvements other than buildings	2,881,048	220,188	421,721			2,679,515
Mobile equipment	2,028,957	189,164	68,917			2,149,204
Furniture and equipment	2,772,414	77,185	480,456			2,369,143
Total accumulated depreciation	25,544,944	1,386,458	1,038,132	-	-	25,893,270
Total depreciable capital assets, net	29,730,748	(1,129,093)	438,149	4,530,726	-	32,694,232
Governmental activities capital assets, net	\$ 42,093,458	13,063,428	438,149	-	(304,065)	54,414,672

HATTIESBURG SCHOOL DISTRICT
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Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 462,255
Support services	848,795
Non-instructional	75,408
Total depreciation expense - Governmental activities	<u>\$ 1,386,458</u>

Adjustments were necessary to restate beginning balance of construction-in-progress. Expenditures for facilities acquisition and construction services captured as construction-in-progress in prior years ultimately failed to meet the district's criteria for capitalization and were reclassified to non-capital expenditures.

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

	Spent to June 30, 2021	Remaining Commitment
Governmental Activities:		
Hattiesburg High School Renovations Phase 2	\$ 14,068,232	\$ 3,104,362
Burger Middle School Renovations	5,481,908	234,576
Burger Middle School Cafeteria Building	123,921	1,775,099
Rowan and Grace Christian Roofing Project	409,159	450,586
Woodley Interior and Exterior Renovations	932,828	1,448,992
Total governmental activities	<u>21,016,048</u>	<u>7,013,615</u>

Construction 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 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. General obligation bonds payable	\$ 21,665,000		640,000	21,025,000	675,000
B. Three mill limited tax notes payable	1,870,000		320,000	1,550,000	330,000
C. Qualified school construction bonds payable	6,000,000			6,000,000	
D. Compensated absences payable	421,471		28,710	392,761	25,000
Total	<u>\$ 29,956,471</u>	<u>-</u>	<u>988,710</u>	<u>28,967,761</u>	<u>1,030,000</u>

A. General obligation bonds payable

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

HATTIESBURG SCHOOL DISTRICT
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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	\$ 21,025,000
Total				<u>\$ 22,500,000</u>	<u>\$ 21,025,000</u>

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

1. General obligation bond issue of April 1, 2019.

Year Ending June 30	Principal	Interest	Total
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	975,000	623,775	1,598,775
2027 – 2031	5,600,000	2,528,425	8,128,425
2032 – 2036	6,810,000	1,516,088	8,326,088
2037-2039	4,610,000	316,331	4,926,331
Total	<u>\$ 21,025,000</u>	<u>7,796,319</u>	<u>28,821,319</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, 2021, the amount of outstanding bonded indebtedness was equal to 6% of property assessments as of October 1, 2020.

B. Three mill limited tax notes payable

The limited tax notes payable were issued to finance capital improvements in the district and are secured by future ad valorem tax revenues levied specifically for the purpose of retiring the notes payable.

Limited obligation bonds currently outstanding are as follows:

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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	\$ 855,000
2. Limited tax note, Series 2019	2.59%	25-Jul-19	25-Jul-25	800,000	695,000
Total				<u>\$ 3,500,000</u>	<u>\$ 1,550,000</u>

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

1. Limited obligation bond issue of June 15, 2012.

Year Ending June 30	Principal	Interest	Total
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>\$ 855,000</u>	<u>63,813</u>	<u>918,813</u>

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

2. Limited obligation bond issue of July 25, 2019.

Year Ending June 30	Principal	Interest	Total
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>\$ 695,000</u>	<u>58,275</u>	<u>753,275</u>

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

Total limited obligation bonds payments for all issues:

Year Ending June 30	Principal	Interest	Total
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>\$ 1,550,000</u>	<u>122,088</u>	<u>1,672,088</u>

The school district has pledged a portion of the future state revenues the district receives from the

HATTIESBURG SCHOOL DISTRICT
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State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972), to repay \$800,000 in three mill limited tax notes issued on July 25, 2019. The state aid capital improvement bonds are not included in the computation of the debt limited percentage. 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 in Note 6(C) below. 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 \$695,000 and \$58,275, respectively. State Education Enhancement Fund revenue for the year ended June 30, 2021, was \$173,863. Principal and interest payments for this debt for the year ended June 30, 2021, were \$105,000 and \$20,720, respectively.

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	0.94%	15-Sep-09	15-Sep-24	\$ 3,000,000	\$ 3,000,000
2. QSCB, Series 2010	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 are schedules by year of the total payments on this debt:

1. Qualified school construction bonds payable of September 15, 2009.

Year Ending June 30	Principal	Interest	Total
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>112,800</u>	<u>3,112,800</u>

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

2. Qualified school construction bonds payable of December 1, 2010.

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Year Ending June 30	Principal	Interest	Total
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	\$ 3,000,000	825,000	3,825,000

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

Total Qualified school construction bonds payable – all issues.

Year Ending June 30	Principal	Interest	Total
2022	\$ -	193,200	193,200
2023	-	193,200	193,200
2024	-	193,200	193,200
2025	-	193,200	193,200
2026	6,000,000	165,000	6,165,000
Total	\$ 6,000,000	937,800	6,937,800

The school district has pledged a portion of future state revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972), to repay the \$3,000,000 in Qualified school construction bonds issued on September 15, 2009. Proceeds from the bonds were issued to finance capital improvements made to the district's buildings. The bonds are payable from the future revenues of the State Education Enhancement revenues and other district tax funds and are payable through September 15, 2024. 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 \$800,000. Sinking fund payments for the current year and total Education Enhancement funds pledged revenues were \$200,000 and \$173,863, respectively.

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.

HATTIESBURG SCHOOL DISTRICT
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For Year Ended June 30, 2021

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.

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, 2021 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$4,241,428, \$4,208,493 and \$3,685,032, 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, 2021, the school district reported a liability of \$70,317,494 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2021 net pension liability was 0.363232 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.003979 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

HATTIESBURG SCHOOL DISTRICT
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For Year Ended June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$5,209,306. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 622,006	\$ 28,413
Net difference between projected and actual earnings on pension plan investments	2,919,031	
Changes of assumptions	137,143	3,723
Changes in proportion and differences between District contributions and proportionate share of contributions	473,936	614,007
District contributions subsequent to the measurement date	4,241,428	
Total	\$ <u>8,393,544</u>	\$ <u>646,143</u>

\$4,241,428 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, 2022. 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:	
2022	\$ (112,674)
2023	1,204,058
2024	1,483,861
2025	930,728

Actuarial assumptions. The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. 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 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 are projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.00	
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	\$ 91,017,356	\$ 70,317,494	\$ 53,231,791

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 SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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 \$124,467 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$3,759,563 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the District's proportion was 0.48310520 percent. This was a decrease of 0.00189636 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$3,197. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,792	\$ 654,265
Net difference between projected and actual earnings on pension plan investments	121	
Changes in Assumptions	583,707	158,874

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

Changes in proportion and differences between District contributions and proportionate share of contributions	11,531	223,748
District contributions subsequent to the measurement date	124,467	
Total	\$ <u>724,618</u>	\$ <u>1,036,887</u>

\$124,467 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, 2022. 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:

2022	\$ (132,990)
2023	(132,990)
2024	(103,410)
2025	(25,384)
2026	(41,962)

Actuarial assumptions. The total OPEB liability in the June 30, 2020 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	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

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

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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, 2020 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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. 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, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 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 (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 4,154,574	\$ 3,759,563	\$ 3,420,752

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	\$ 3,471,381	\$ 3,759,563	\$ 4,086,060

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

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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

Year Ending June 30	Amount
2022	\$ 70,987
2023	70,987
2024	70,987
2025	70,987
2026	69,463
2027 – 2031	347,315
2032 - 2036	344,256
2037 – 2041	325,427
2042 – 2046	232,119
Thereafter	378,827
Total	<u>\$ 1,981,355</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 a prior year asset or liability in the governmental funds	\$ 31,537
2. Restatement of a prior year construction in progress asset	(304,065)
3. Restatement of prior year pension liability	1
Total	<u>\$ (272,527)</u>

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

Fund	Explanation	Amount
General Fund	Restatement of a prior year asset or liability	\$ 27,786
Other governmental funds	Restatement of a prior year asset or liability	3,751
Total		<u>\$ 31,537</u>

Note 12 – Contingencies

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

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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

Note 13 – Risk Management

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

Note 14 – 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 bonds issued by the school district are interest-bearing, but the interest charged does not exceed the supplemental interest discussed in the preceding paragraph. Therefore, the district did not receive nor apply for a direct cash subsidy payment from the U.S. Treasury.

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, 2021, was \$2,200,313 for the Series 2009 issue, which included cash with fiscal agents. The amount on deposit at June 30, 2021, was \$2,025,580 for the Series 2010 issue, which included cash with fiscal agents of \$22,222, investments of \$1,998,900, and accrued interest of \$4,458. 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
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	<u>\$ 800,000</u>	<u>1,000,000</u>	<u>1,800,000</u>

HATTIESBURG SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

Note 15 - Insurance loss recoveries

The Hattiesburg Public School District received \$152,249 in insurance loss recoveries related to fire damage to buildings during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss		Percentage	Expense Function
Recoveries			
\$	152,249	100%	Support services
\$	152,249	100%	

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$50,341,211) 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 \$4,241,428 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$4,152,116 balance of deferred outflow of resources related to pensions, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$50,341,211) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$646,143 balance of deferred inflow of resources related to pensions, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$50,341,211) 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 \$124,467 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, 2022. The \$600,151 balance of deferred outflow of resources related to OPEB, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$50,341,211) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,036,887 balance of deferred inflow of resources related to OPEB, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 17 - 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 February 15, 2022 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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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, 2021

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 19,055,321	20,036,157	20,036,157	980,836	0
State sources	18,906,718	18,737,955	18,737,955	(168,763)	0
Federal sources	137,800	130,957	130,957	(6,843)	0
Sixteenth section sources	145,000	158,396	158,396	13,396	0
Total Revenues	38,244,839	39,063,465	39,063,465	818,626	0
Expenditures:					
Instruction	20,820,547	17,912,023	17,917,154	2,908,524	(5,131)
Support services	16,181,545	13,365,669	13,365,669	2,815,876	0
Noninstructional services	7,100	2,313	2,313	4,787	0
Sixteenth section	50,200	47,531	47,531	2,669	0
Facilities acquisition and construction	136,378	1,523,518	1,523,519	(1,387,140)	(1)
Debt service:					
Principal	56,042	1,262		54,780	1,262
Interest	35,165	33,904	33,903	1,261	1
Total Expenditures	37,286,977	32,886,220	32,890,089	4,400,757	(3,869)
Excess (Deficiency) of Revenues over (under) Expenditures	957,862	6,177,245	6,173,376	5,219,383	(3,869)
Other Financing Sources (Uses):					
Insurance recovery	0	2,249	2,249	2,249	0
Sale of transportation equipment	5,000	0	0	(5,000)	0
Sale of other property	8,000	8,555	8,555	555	0
Operating transfers in	5,873,089	11,967,218	487,985	6,094,129	(11,479,233)
Operating transfers out	(12,824,009)	(18,257,044)	(6,821,084)	(5,433,035)	11,435,960
Total Other Financing Sources (Uses)	(6,937,920)	(6,279,022)	(6,322,295)	658,898	(43,273)
Net Change in Fund Balances	(5,980,058)	(101,777)	(148,919)	5,878,281	(47,142)
Fund Balances:					
July 1, 2020, as previously reported	19,635,672	19,639,700	19,777,598	4,028	137,898
Prior period adjustments	0	98,947	27,786	98,947	(71,161)
July 1, 2020, as restated	19,635,672	19,738,647	19,805,384	102,975	66,737
June 30, 2021	\$ 13,655,614	19,636,870	19,656,465	5,981,256	19,595

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*

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	%	0.363232	0.359253	0.369100	0.367900	0.428800	0.439400	0.415100
District's proportionate share of the net pension liability	\$	70,317,494	63,199,691	61,392,296	61,157,467	76,594,387	67,922,575	51,058,006
District's covered payroll	\$	24,186,741	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		290.73%	270.12%	260.43%	259.16%	279.22%	247.42%	201.30%
Plan fiduciary net position as a percentage of the total pension liability		58.97%	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*

		2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$	4,241,428	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	\$	4,241,428	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	0
District's covered payroll	\$	24,376,023	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%	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 6/30/15, 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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

OPEB

Last 10 Fiscal Years*

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>
District's proportion of the net OPEB liability	%	0.48310520	0.48500156	0.49130000	0.48860000
District's proportionate share of the net OPEB liability	\$	3,759,563	4,115,437	3,800,249	3,833,927
District's covered-employee payroll	\$	24,186,741	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		15.54%	17.59%	16.12%	16.25%
Plan fiduciary net position as a percentage of the total OPEB liability		0.13%	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.

**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.*

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HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 124,467	149,931	164,959	163,446
Contributions in relation to the actuarially determined contribution	\$ 124,467	149,931	164,959	163,446
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered-employee payroll	\$ 24,376,023	24,186,741	23,397,101	23,573,041
Contributions as a percentage of covered-employee payroll	0.51%	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).*

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HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

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, 2021

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, 2018 valuation for the June 30, 2020 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	30.9 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, 2021

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

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
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	3.50%

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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, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program - commodities	10.555	215MS326N1099	\$ 161,560
Total National school lunch program			161,560
COVID-19 - Summer food service program for children	10.559	215MS326N1099	2,306,906
Total Summer food service program for children			2,306,906
Total child nutrition cluster			2,468,466
Child nutrition - Administrative expense reimbursement	10.560	215MS326N1099	12,352
Total passed-through Mississippi Department of Education			2,480,818
Total U.S. Department of Agriculture			2,480,818
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	69,077
Total U.S. Department of Defense			69,077
<u>U. S. Department of the Treasury</u>			
Passed-through the Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund	21.019	MR21-3121	260,829
COVID-19 - Coronavirus Relief Fund	21.019	ED21-3121	1,243,340
Subtotal Covid-19 - Coronavirus Relief Fund			1,504,169
Total passed-through Mississippi Department of Education			1,504,169
Total U. S. Department of the Treasury			1,504,169
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A180024 S010A190024 S010A200024	3,622,218
Career and technical education - basic grants to states	84.048	V048A200024	71,250
Education for homeless children and youth	84.196	S196A190025 S196A200025	50,633
English language acquisition grants	84.365	S365A180024 S365A190024 S365A200024	11,792
Supporting Effective Instruction State Grants	84.367	S367A180023 S367A190023 S237A200023	324,706
Student support and enrichment program grants	84.424	S424A180025 S424A190025 S424A200025	313,239
Subtotal			4,393,838

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
COVID-19 - Education Stabilization Fund (ESSER) Fund I	84.425D	S425D200031	1,766,993
COVID-19 - Education Stabilization Fund (ESSER) Fund II	84.425D	S425D210031	661,002
Subtotal Covid-19 - Education Stabilization Fund (ESSER)			<u>2,427,995</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108 H027A190108 H027A200108	1,388,729
Special education - preschool grants	84.173	H173A200113	29,240
Total special education cluster			<u>1,417,969</u>
Total passed-through Mississippi Department of Education			<u>8,239,802</u>
Passed-through Mississippi Department Rehabilitation Services:			
Rehabilitation services - vocational rehabilitation grants to states	84.126	3100021449	42,650
Total passed-through Mississippi Department of Rehabilitation Services			<u>42,650</u>
Total U.S. Department of Education			<u>8,282,452</u>
<u>Social Security Administration</u>			
Passed-through Mississippi Department of Education:			
Social security disability insurance	96.001	4-21-04MSD100	1,309
Total passed-through Mississippi Department of Education			<u>1,309</u>
Total Social Security Administration			<u>1,309</u>
Total for All Federal Awards			<u>\$ 12,337,825</u>

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, 2021

(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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hattiesburg Public School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hattiesburg Public School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting except that such 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

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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, 2021

<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	\$ 33,520,623	26,400,809	1,342,405	2,430,569	3,346,840
Other	29,274,198	6,234,350	609,378	29,551	22,400,919
Total	<u>\$ 62,794,821</u>	<u>32,635,159</u>	<u>1,951,783</u>	<u>2,460,120</u>	<u>25,747,759</u>
Total number of students *	<u>3,344</u>				
Cost per student	<u>\$ 18,779</u>	<u>9,759</u>	<u>584</u>	<u>736</u>	<u>7,700</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

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 20,036,157	18,462,086	18,150,570	17,476,500
State sources	18,737,955	19,387,472	18,702,285	18,737,418
Federal sources	130,957	101,960	390,690	129,691
Sixteenth section sources	158,396	130,963	138,723	71,921
Total Revenues	39,063,465	38,082,481	37,382,268	36,415,530
Expenditures:				
Instruction	17,917,154	18,721,124	18,424,446	18,496,350
Support services	13,365,669	13,405,129	13,756,453	12,540,111
Noninstructional services	2,313	1,622	6,266	6,710
Sixteenth section	47,531	32,708	30,273	16,282
Facilities acquisition and construction	1,523,519	138,797		
Debt service:				
Interest	33,903	35,165	36,378	37,544
Total Expenditures	32,890,089	32,334,545	32,253,816	31,096,997
Excess (Deficiency) of Revenues over (under) Expenditures	6,173,376	5,747,936	5,128,452	5,318,533
Other Financing Sources (Uses):				
Insurance recovery	2,249	18,420	12,254	10,636
Sale of transportation equipment		6,300		
Sale of other property	8,555	8,454	17,230	
Operating transfers in	487,985	280,319	36,378	403,151
Operating transfers out	(6,821,084)	(1,366,671)	(742,750)	(1,160,695)
Total Other Financing Sources (Uses)	(6,322,295)	(1,053,178)	(676,888)	(746,908)
Net Change in Fund Balances	(148,919)	4,694,758	4,451,564	4,571,625
Fund Balances:				
Beginning of period, as previously reported	19,777,598	15,010,995	10,559,431	6,063,341
Prior period adjustments	27,786	45,588		5,959
Fund reclassification		26,257		
Beginning of period, as restated	19,805,384	15,082,840	10,559,431	6,069,300
Increase (Decrease) in reserve for inventory				(81,494)
End of Period	\$ 19,656,465	19,777,598	15,010,995	10,559,431

*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

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 23,513,359	21,420,559	21,218,818	20,032,955
State sources	20,526,649	21,127,690	20,321,573	20,724,675
Federal sources	12,374,243	8,837,001	9,104,519	8,672,992
Sixteenth section sources	222,398	227,815	264,109	113,238
Total Revenues	56,636,649	51,613,065	50,909,019	49,543,860
Expenditures:				
Instruction	26,886,849	23,912,155	23,223,875	22,451,374
Support services	17,194,404	16,894,111	17,245,508	16,561,592
Noninstructional services	2,458,955	2,733,131	2,839,780	3,043,880
Sixteenth section	47,531	32,708	30,273	16,282
Facilities acquisition and construction	14,192,521	12,684,953	1,040,922	
Debt service:				
Principal	960,000	735,000	1,869,270	2,950,293
Interest	1,048,561	1,054,302	321,625	558,707
Other	6,000	4,500	5,480	2,250
Total Expenditures	62,794,821	58,050,860	46,576,733	45,584,378
Excess (Deficiency) of Revenues over (under) Expenditures	(6,158,172)	(6,437,795)	4,332,286	3,959,482
Other Financing Sources (Uses):				
Bonds and notes issued		800,000	22,500,000	
Insurance recovery	152,249	18,420	24,053	864,047
Sale of transportation equipment		6,300		
Sale of other property	8,555	8,454	17,255	
Transfer in to escrow agent	529,224	521,930	546,128	566,539
Operating transfers in	7,309,069	1,646,990	865,128	1,563,846
Transfer to QSCB escrow agent	(529,224)	(521,930)	(546,128)	(566,539)
Operating transfers out	(7,309,069)	(1,646,990)	(865,128)	(1,563,846)
Total Other Financing Sources (Uses)	160,804	833,174	22,541,308	864,047
Net Change in Fund Balances	(5,997,368)	(5,604,621)	26,873,594	4,823,529
Fund Balances:				
Beginning of period, as previously reported	40,479,809	45,996,697	19,156,592	14,431,721
Prior period adjustments	31,537	43,650		5,959
Fund reclassification		26,257		
Beginning of period, as restated	40,511,346	46,066,604	19,156,592	14,437,680
Increase (Decrease) in reserve for inventory	22,403	17,826	(33,489)	(104,617)
End of Period	\$ 34,536,381	40,479,809	45,996,697	19,156,592

*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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2021, 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 February 15, 2022.

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

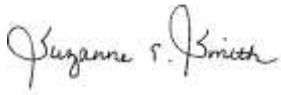
As part of obtaining reasonable assurance about whether the Hattiesburg Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

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

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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
February 15, 2022

SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

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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, 2021. 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, 2021.

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 on each major federal

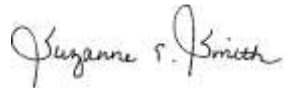
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program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
February 15, 2022

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

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SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

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

Superintendent and School Board
Hattiesburg Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School District as of and for the year ended June 30, 2021, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated February 15, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

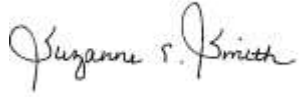
The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

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PHONE: 601-938-5717

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

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

Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi
February 15, 2022

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, 2021

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.425D	Education Stabilization Fund I (ESSER)
84.425D	Education Stabilization Fund II (ESSER)

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 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, 2021

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.