



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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

HATTIESBURG PUBLIC SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	23
Exhibit B – Statement of Activities	25
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	27
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	31
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	33
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	67
Budgetary Comparison Schedule – ESSER II Fund	69
Budgetary Comparison Schedule – ESSER III ARP Fund	71
Schedule of the District's Proportionate Share of the Net Pension Liability	73
Schedule of District Contributions (PERS)	75
Schedule of the District's Proportionate Share of the Net OPEB Liability	77
Schedule of District Contributions (OPEB)	79
Notes to the Required Supplementary Information	81
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	87
Notes to the Schedule of Expenditures of Federal Awards	89
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	91
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	95
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	97
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	101
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	103
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	109
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	113
AUDITEE'S CORRECTIVE ACTION PLAN	117

(This page left blank intentionally)

INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Hattiesburg Public School District

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hattiesburg Public School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hattiesburg Public School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hattiesburg Public School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hattiesburg Public School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic 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 Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

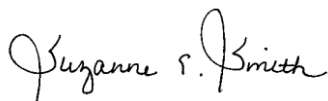
Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, 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.



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi

January 27, 2023

(This page left blank intentionally)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022. 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 2022 increased \$14,605,902, including a prior period adjustment of (\$47,905), which represents a 209% increase from fiscal year 2021. 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.
- General revenues amounted to \$41,744,886 and \$41,971,304, or 66% and 74% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$21,728,359, or 34% of total revenues for 2022, and \$14,817,594, or 26% of total revenues for 2021.
- The District had \$48,819,438 and \$49,987,396 in expenses for fiscal years 2022 and 2021; only \$21,728,359 for 2022 and \$14,817,594 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$41,744,886 for 2022 and \$41,971,304 for 2021 were adequate to provide for these programs.
- Among major funds, the General Fund had \$39,630,318 in revenues and \$35,496,252 in expenditures for 2022, and \$39,063,465 in revenues and \$32,890,089 in expenditures in 2021. The General Fund's fund balance increased by \$2,105,877, including a prior period adjustment of (\$13,874), from 2021 to 2022, and decreased by \$121,133, including a prior period adjustment of \$27,786, from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$5,767,475, including a prior period adjustment of \$38,369, for 2022 and increased by \$12,321,214, including a prior period adjustment of (\$304,065), for 2021. The increase for 2022 was due to the addition of construction in progress and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$985,331 for 2022 and decreased by \$988,710 for 2021. This decrease for 2022 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$7,776 for 2022 and decreased by \$28,710 for 2021.

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, 2022

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are included in one category: governmental funds.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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 and each additional major special revenue 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. Assets and deferred outflows of resources exceeded Liabilities and deferred inflows of resources by \$7,621,963 as of June 30, 2022.

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, 2022 and June 30, 2021.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 36,217,888	\$ 30,579,926	18.44%
Restricted assets	6,954,298	9,402,448	-26%
Capital assets, net	60,182,147	54,414,672	10.60%
Total assets	103,354,333	94,397,046	9.49%
 Deferred outflows of resources	 10,351,947	 9,118,162	 13.53%
 Current liabilities	 3,535,764	 5,771,299	 -38.74%
Long-term debt outstanding	27,982,430	28,967,761	-3.40%
Net pension liability	54,187,003	70,317,494	-22.94%
Net OPEB liability	3,096,687	3,759,563	-17.63%
Total liabilities	88,801,884	108,816,117	-18.39%
 Deferred inflows of resources	 17,282,433	 1,683,030	 926.86%
 Net position:			
Net investment in capital assets	35,636,647	31,827,527	11.97%
Restricted	13,667,451	11,529,745	18.54%
Unrestricted	(41,682,135)	(50,341,211)	17.20%
Total net position	\$ 7,621,963	\$ (6,983,939)	209.14%

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)	(\$41,682,135)
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	62,825,940
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 21,143,805</u>

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

- Increase in current assets in the amount of \$5,637,962.
- Decrease in restricted assets of \$2,448,150.
- Increase in capital assets of \$5,767,475.
- Increase in deferred outflows of resources in the amount of \$1,233,785.
- Decrease in current liabilities in the amount of \$2,235,535.
- Decrease in the net pension liability in the amount of \$16,130,491.
- Decrease in the net OPEB liability in the amount of \$662,876.
- Increase in the deferred inflows of resources in the amount of \$15,599,403.
- The principal retirement of \$1,015,924 of long-term debt.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$63,473,245 and \$56,788,898, respectively. The total cost of all programs and services was \$48,819,438 for 2022 and \$49,987,396 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 3,227,124	\$ 471,680	584.18%
Operating grants and contributions	18,459,538	14,345,914	28.67%
Capital Grants and Contributions	41,697	-	N/A %
General revenues:			
Property taxes	22,066,732	21,992,050	0.34%
Grants and contributions not restricted	18,549,715	18,555,518	-0.03%
Investment earnings	388,459	496,341	-21.74%
Sixteenth section sources	80,920	151,429	-46.56%
Other	659,060	775,966	-15.07%
Total revenues	63,473,245	56,788,898	11.77%
Expenses:			
Instruction	25,218,942	24,913,201	1.23%
Support services	18,837,426	16,415,219	14.76%
Non-instructional	2,867,076	2,359,467	21.51%
Sixteenth section	39,651	47,531	-16.58%
Pension expense	1,103,590	5,209,306	-78.82%
OPEB expense	(253,290)	3,197	-8022.74%
Interest on long-term liabilities	1,006,043	1,039,475	-3.22%
Total expenses	48,819,438	49,987,396	-2.34%
Increase (Decrease) in net position	14,653,807	6,801,502	115.45%
Net Position, July 1, as previously reported	(6,983,939)	(13,512,914)	48.32%
Prior Period Adjustment	(47,905)	(272,527)	82.42%
Net Position, July 1, as restated	(7,031,844)	(13,785,441)	48.99%
Net Position, June 30	\$ 7,621,963	\$ (6,983,939)	209.14%

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, 2022

Net cost of governmental activities [(\$27,091,079) for 2022 and (\$35,169,802) for 2021] was financed by general revenue, which is primarily made up of property taxes (\$22,066,732 for 2022 and \$21,992,050 for 2021) and state and federal revenues (\$18,549,715 for 2022 and \$18,555,518 for 2021). In addition, there was \$80,920 and \$151,429 in Sixteenth Section sources for 2022 and 2021, respectively.

Investment earnings amounted to \$659,060 for 2022 and \$775,966 for 2021.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 25,218,942	\$ 24,913,201	1.23%
Support services	18,837,426	16,415,219	14.76%
Non-instructional	2,867,076	2,359,467	21.51%
Sixteenth section	39,651	47,531	-16.58%
Pension Expense	1,103,590	5,209,306	-78.82%
OPEB Expense	(253,290)	3,197	-8022.74%
Interest on long-term liabilities	1,006,043	1,039,475	-3.22%
Total expenses	\$ 48,819,438	\$ 49,987,396	-2.34%

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (15,348,465)	\$ (16,644,039)	7.78%
Support services	(10,900,750)	(12,319,866)	11.52%
Non-instructional	924,010	93,612	887.06%
Sixteenth section	(39,651)	(47,531)	16.58%
Pension Expense	(1,103,590)	(5,209,306)	78.82%
OPEB Expense	253,290	(3,197)	8022.74%
Interest on long-term liabilities	(875,923)	(1,039,475)	15.73%
Total net (expense) revenue	\$ (27,091,079)	\$ (35,169,802)	22.97%

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 \$38,564,732, an increase of \$4,028,351, which includes a prior period adjustment of (\$47,870) and a decrease in inventory of \$16,207. \$8,743,050 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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

of \$29,821,682 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.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,105,877, including a prior period adjustment of (\$13,874). The fund balance of Other Governmental Funds showed an increase in the amount of \$1,922,474, which includes a prior period adjustment of (\$33,996) and a decrease in reserve for inventory of \$16,207, due primarily to an increase in the fund balance of the Child Nutrition Fund. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase(Decrease)</u>
ESSER II Fund	No change
ESSER III ARP Fund	No change

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$87,017,420, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$6,709,478, including a prior period adjustment of \$38,369, from 2021. Total accumulated depreciation as of June 30, 2022, was \$26,835,273, and total depreciation expense for the year was \$1,673,259, resulting in total net capital assets of \$60,182,147.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Land	\$ 704,392	\$ 704,392	0.00%
Construction in Progress	16,929,189	21,016,048	-19.45%
Buildings	25,912,779	20,540,606	26.15%
Building Improvements	10,123,593	6,266,345	61.55%
Improvements other than buildings	4,424,281	4,186,645	5.68%
Mobile equipment	1,804,060	1,471,015	22.64%
Furniture and equipment	256,680	229,621	11.78%
Intangible assets	27,173	-	N/A%
Total	\$ 60,182,147	\$ 54,414,672	10.60%

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

Debt Administration. At June 30, 2022, the District had \$27,982,430 in outstanding long-term debt, of which \$1,096,178 is due within one year. The liability for compensated absences decreased \$7,776 from the prior year.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 5
Outstanding Long-Term Debt

	June 30, 2022	June 30, 2021	Percentage Change
General obligation bonds payable	\$ 20,350,000	\$ 21,025,000	-3.21%
Three mill notes payable	1,220,000	1,550,000	-21.29%
Qualified school construction bonds payable	6,000,000	6,000,000	0.00%
Obligations under leases	27,445	-	N/A %
Compensated absences payable	384,985	392,761	-1.98%
Total	\$ 27,982,430	\$ 28,967,761	-3.40%

Additional information on the District's long-term debt can be found in Note 7 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 financial management to meet the challenges of the future. The District has eight (8) schools:

Rowan Elementary School
Burney 6th Grade STEAM Academy
Hawkins Elementary School
Grace Christian Elementary School
Thames Elementary School
Woodley Elementary School
N. R. Burger Middle School
Hattiesburg High School

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 39043.

FINANCIAL STATEMENTS

(This page is left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Statement of Net Position
June 30, 2022

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 31,130,813
Due from other governments	3,645,200
Lease receivable	1,353,606
Inventories	88,269
Restricted assets	6,954,298
Capital assets, net of accumulated depreciation	60,182,147
Total Assets	<u>103,354,333</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	9,738,445
Deferred outflows - OPEB	613,502
Total deferred outflows of resources	<u>10,351,947</u>
Liabilities	
Accounts payable and accrued liabilities	3,219,218
Interest payable on long-term liabilities	316,546
Long-term liabilities, due within one year:	
Leases payable	11,178
Capital related liabilities	902,500
Non-capital related liabilities	182,500
Net OPEB liability	100,319
Long-term liabilities, due beyond one year:	
Leases payable	16,267
Capital related liabilities	23,643,000
Non-capital related liabilities	3,226,985
Net pension liability	54,187,003
Net OPEB liability	2,996,368
Total Liabilities	<u>88,801,884</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	14,659,122
Deferred inflows - OPEB	1,235,075
Deferred inflows - leases	1,388,236
Total deferred inflows of resources	<u>17,282,433</u>
Net Position	
Net investment in capital assets	35,636,647
Restricted for:	
Expendable:	
School-based activities	3,809,228
Debt service	6,741,494
Unemployment benefits	92,160
Non-expendable:	
Sixteenth section	3,024,569
Unrestricted	(41,682,135)
Total Net Position	<u><u>\$ 7,621,963</u></u>

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2022

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	\$ 25,218,942	397,150	9,451,143	22,184	(15,348,465)
Support services	18,837,426	2,792,547	5,124,616	19,513	(10,900,750)
Non-instructional	2,867,076	37,427	3,753,659		924,010
Sixteenth section	39,651				(39,651)
Pension expense	1,103,590				(1,103,590)
OPEB expense	(253,290)				253,290
Interest on long-term liabilities	1,006,043		130,120		(875,923)
Total Governmental Activities	<u>\$ 48,819,438</u>	<u>3,227,124</u>	<u>18,459,538</u>	<u>41,697</u>	<u>(27,091,079)</u>
General Revenues:					
Taxes:					
General purpose levies					
					19,445,707
Debt purpose levies					
					2,621,025
Unrestricted grants and contributions:					
State					
					18,470,875
Federal					
					78,840
Unrestricted investment earnings					
					388,459
Sixteenth section sources					
					80,920
Other					
					659,060
Total General Revenues					<u>41,744,886</u>
Change in Net Position					<u>14,653,807</u>
Net Position - Beginning, as previously reported					(6,983,939)
Prior Period Adjustments					<u>(47,905)</u>
Net Position - Beginning, as restated					<u>(7,031,844)</u>
Net Position - Ending					<u>\$ 7,621,963</u>

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2022

Exhibit C

	Major Funds			Other	Total
	General	ESSER II	ESSER III	Governmental	Governmental
	Fund	Fund	ARP Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 22,124,532			9,415,865	31,540,397
Cash with fiscal agents				2,580,977	2,580,977
Investments				3,953,141	3,953,141
Due from other governments	522,256	891,443	1,080,134	1,151,367	3,645,200
Accrued interest receivable				10,596	10,596
Lease receivable	1,353,606				1,353,606
Due from other funds	2,707,674			1,327	2,709,001
Advance to other funds				698,006	698,006
Inventories				88,269	88,269
Total assets	26,708,068	891,443	1,080,134	17,899,548	46,579,193
Liabilities, deferred inflows of resources, and fund balances					
Liabilities:					
Accounts payable and accrued liabilities	2,773,972	69,530		278,031	3,121,533
Due to other funds	1,327	821,913	1,080,134	805,627	2,709,001
Advances from other funds	698,006				698,006
Unearned revenue				13,500	13,500
Other payables	84,185				84,185
Total Liabilities	3,557,490	891,443	1,080,134	1,097,158	6,626,225
Deferred Inflows of Resources:					
Leases	1,388,236				1,388,236
Total deferred inflows of resources	1,388,236	0	0	0	1,388,236
Fund Balances:					
Nonspendable					
Inventory				88,269	88,269
Permanent fund principal				2,326,563	2,326,563
Advances				698,006	698,006
Restricted					
Debt service				7,058,040	7,058,040
Grant activities				2,645,568	2,645,568
Unemployment benefits				92,160	92,160
Early childhood learning				1,075,391	1,075,391
Assigned					
Capital improvements	12,403,036			2,787,331	15,190,367
Technology	240,920				240,920
Vocational				2,431	2,431
Student activities	375,336				375,336
Unemployment benefits				28,631	28,631
Unassigned	8,743,050				8,743,050
Total Fund Balances	21,762,342	0	0	16,802,390	38,564,732
Total liabilities, deferred inflows of resources and fund balances	\$ 26,708,068	891,443	1,080,134	17,899,548	46,579,193

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit C-1

June 30, 2022

Total fund balances for governmental funds \$ 38,564,732

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	16,929,189	
Buildings	44,292,806	
Building improvements	11,243,731	
Improvements other than buildings	7,309,341	
Mobile equipment	4,076,552	
Furniture and equipment	2,423,040	
Intangible right to use equipment assets	38,369	
Accumulated depreciation	<u>(26,835,273)</u>	60,182,147

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

Net pension liability	(54,187,003)	
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	9,738,445	
Deferred inflows of resources related to pensions	<u>(14,659,122)</u>	(59,107,680)

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	(3,096,687)	
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	613,502	
Deferred inflows of resources related to OPEB	<u>(1,235,075)</u>	(3,718,260)

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	(20,350,000)	
Three mill limited tax notes payable	(1,220,000)	
Qualified school construction bonds payable	(6,000,000)	
Lease obligations	(27,445)	
Compensated absences payable	(384,985)	
Accrued interest payable	<u>(316,546)</u>	(28,298,976)

Net Position of governmental activities \$ 7,621,963

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2022

	Major Funds			Other	Total
	General	ESSER II	ESSER III	Governmental	Governmental
	Fund	Fund	ARP Fund	Funds	Funds
Revenues:					
Local sources	\$ 20,247,934			3,393,531	23,641,465
State sources	19,146,815			1,495,403	20,642,218
Federal sources	146,625	3,273,545	2,123,289	10,865,274	16,408,733
Sixteenth section sources	88,944			(61,734)	27,210
Total Revenues	39,630,318	3,273,545	2,123,289	15,692,474	60,719,626
Expenditures:					
Instruction	18,599,405	1,517,257	1,209,696	6,559,538	27,885,896
Support services	14,428,781	1,113,733	297,415	3,508,790	19,348,719
Noninstructional services	6,561			2,960,921	2,967,482
Sixteenth section	39,651				39,651
Facilities acquisition and construction	2,381,823	8,504		4,720,460	7,110,787
Debt service:					
Principal	6,809			1,009,115	1,015,924
Interest	33,222			981,581	1,014,803
Other				5,500	5,500
Total Expenditures	35,496,252	2,639,494	1,507,111	19,745,905	59,388,762
Excess (Deficiency) of Revenues over (under) Expenditures	4,134,066	634,051	616,178	(4,053,431)	1,330,864
Other Financing Sources (Uses):					
Insurance recovery				2,753,619	2,753,619
Transfer in to Escrow Agent				509,162	509,162
Sale of other property	6,795			1,150	7,945
Operating transfers in	1,478,826			3,499,936	4,978,762
Payment to QSCB escrow agent				(509,162)	(509,162)
Operating transfers out	(3,499,936)	(634,051)	(616,178)	(228,597)	(4,978,762)
Total Other Financing Sources (Uses)	(2,014,315)	(634,051)	(616,178)	6,026,108	2,761,564
Net Change in Fund Balances	2,119,751	0	0	1,972,677	4,092,428
Fund Balances:					
July 1, 2021, as previously reported	19,656,465	0	0	14,879,916	34,536,381
Prior period adjustments	(13,874)			(33,996)	(47,870)
July 1, 2021, as restated	19,642,591	0	0	14,845,920	34,488,511
Decrease in reserve for inventory				(16,207)	(16,207)
June 30, 2022	\$ 21,762,342	0	0	16,802,390	38,564,732

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

(This page left blank intentionally)

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, 2022**

Exhibit D- 1

Net change in fund balances - total governmental funds \$ 4,092,428

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	\$ 7,774,368	
Depreciation expense	<u>(1,673,259)</u>	6,101,109
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.		
		(372,003)
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	1,015,924	
Accrued interest payable	<u>8,760</u>	1,024,684
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	(1,103,590)	
Contributions subsequent to the measurement date	<u>4,566,002</u>	3,462,412
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	253,290	
Contributions subsequent to the measurement date	<u>100,319</u>	353,609
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	7,776	
Change in inventory reserve	<u>(16,207)</u>	(8,431)
7. Rounding differences		
		(1)
Change in Net Position of governmental activities		<u><u>\$ 14,653,807</u></u>

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

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.

ESSER II Fund – This is a special revenue fund used to account for the Federal Elementary and Secondary School Emergency Relief (ESSER) Fund grant, administered by the United States Department of Education in continued response to the COVID-19 pandemic. ESSER II funds are part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), which was signed into law on December 27, 2020.

ESSER III ARP Fund – This is a special revenue fund used to account for the Federal Elementary and Secondary School Emergency Relief (ESSER) Fund grant, administered by the United States Department of Education. ESSER III was established in March, 2021, when the American Rescue Plan (ARP) Act was signed into law.

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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

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
Intangible assets	**	**

(**) The estimated useful life for each right to use asset (intangible asset) is the number of years of the lease which is represented by each right to use asset.

The term 'depreciation' includes the amortization of intangible assets.

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 are presented as deferred outflows related to OPEB and pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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 related to OPEB, pensions, and leases.

See Notes 6, 9, 10, and 17 for further details.

8. Compensated Absences

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

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

9. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

When acting as lessor for the leasing of sixteenth section trust lands, the school district uses the minimum of 4% interest required by Mississippi statute for sixteenth section loans to calculate the net present value of future sixteenth section lease payments. When acting as lessee, the school district uses the federal prime lending rate to calculate the present value of lease payments if the rate implicit in the lease is not known. See Note 6 and Note 7 for details.

10. 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 7 for details.

11. 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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9 for details.

12. 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. See Note 10 for details.

13. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is official action taken by the school board documented in its official minutes. The action for fund balance commitment must occur on or prior to balance sheet date. There are currently no committed fund balances in the 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 District Finance Director pursuant to authorization established by school board 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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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 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 District must develop a restoration plan to achieve and maintain the minimum fund balance.

14. Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$31,540,397.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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 \$2,580,977.

Investments

As of June 30, 2022, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U. S. Treasury Bonds and Notes	AA+	Less than 5 years	\$ 2,140,900
U. S. Treasury/Agency Securities	AA+	Less than 5 years	44,321
	AA+	5 – less than 10 years	75,687
	AA+	10 – less than 15 years	377,767
Asset Backed Securities	AA+	Less than 5 years	293,101
	AA+	5 – less than 10 years	454,415
	AA+	10 – less than 15 years	85,738
Municipal Bonds	AA/AA-	Less than 5 years	346,233
	AA	5 – less than 10 years	134,979
		Total	\$ <u>3,953,141</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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

policy that addresses custodial credit risk. As of June 30, 2022, 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	ESSER II Fund	\$ 821,913
	ESSER III ARP Fund	1,080,134
	Other governmental funds	805,627
Other governmental funds	General Fund	<u>1,327</u>
Total		<u>\$ 2,709,001</u>

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 funds) are the result of the timing of cash flows inherent in reimbursable grant funds due from the State and Federal governments. Interfund balances also represent interfund payables resulting from inter-fund transfers at or near year end.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other governmental funds	General Fund	\$ 698,006
Total		<u>\$ 698,006</u>

The interfund advances represent sixteenth section principal loans due from the General Fund to the 16th Section Principal Fund.

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 Fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenue 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 as of June 30, 2022, is four (4) percent.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Year Ending June 30	Principal	Interest	Total
2023	\$ 59,981	31,226	91,207
2024	61,399	29,807	91,206
2025	38,376	23,065	61,441
2026	39,911	21,530	61,441
2027	41,507	19,934	61,441
2028-2032	233,809	73,395	307,204
2033-2037	223,023	22,739	245,762
Total	\$ 698,006	221,696	919,702

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 3,499,936
ESSER II Fund	General Fund	634,051
ESSER III ARP Fund	General Fund	616,178
Other governmental funds	General Fund	228,597
Total		<u>\$ 4,978,762</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds. Also included are transfers of indirect costs from special revenues to the General Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance (\$409,584), cash with fiscal agents balance (\$98,950), investment balance (\$1,812,241), and accrued interest balance (\$5,789) of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. Restricted assets also include cash with fiscal agents balance (\$2,482,027), investment balance (\$2,140,900), and accrued interest balance (\$4,807) of the QSCB Debt Retirement Funds that are legally restricted for qualified school construction bond debt service. Total restricted assets on the Statement of Net Position are \$6,954,298.

Note 5 – Capital Assets

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

The term depreciation includes amortization of intangible assets.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

	Balance 7/1/2021	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2022
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 704,392					704,392
Construction-in-progress	21,016,048	7,110,787		(11,197,646)		16,929,189
Total non-depreciable capital assets	21,720,440	7,110,787	-	(11,197,646)	-	17,633,581
<u>Depreciable capital assets:</u>						
Buildings	38,191,127			6,101,679		44,292,806
Building improvements	7,311,232		720,287	4,652,786		11,243,731
Improvements other than buildings	6,866,160			443,181		7,309,341
Mobile equipment	3,620,219	558,051	101,718			4,076,552
Furniture and equipment	2,598,764	105,530	281,254			2,423,040
Intangible right to use equipment	-	-	-	-	38,369	38,369
Total depreciable capital assets	58,587,502	663,581	1,103,259	11,197,646	38,369	69,383,839
<u>Less accumulated depreciation for:</u>						
Buildings	17,650,521	729,506				18,380,027
Building improvements	1,044,887	449,749	374,498			1,120,138
Improvements other than buildings	2,679,515	205,545				2,885,060
Mobile equipment	2,149,204	201,604	78,316			2,272,492
Furniture and equipment	2,369,143	75,659	278,442			2,166,360
Intangible right to use equipment	-	11,196	-	-	-	11,196
Total accumulated depreciation	25,893,270	1,673,259	731,256	-	-	26,835,273
Total depreciable capital assets, net	32,694,232	(1,009,678)	372,003	11,197,646	38,369	42,548,566
Governmental activities capital assets, net	\$ 54,414,672	6,101,109	372,003	-	38,369	60,182,147
Total capital assets, net excluding intangible right to use assets						
						60,154,974
Intangible right to use assets, net						
						27,173
Total capital assets, net as reported in the statement of net position						
						60,182,147

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 452,682
Support services	1,157,681
Non-instructional	62,896
Total depreciation expense - Governmental activities	<u>\$ 1,673,259</u>

Adjustments were necessary to recognize intangible right to use equipment assets at July 1, 2021.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

	Spent to June 30, 2022	Remaining Commitment
Governmental Activities:		
Hattiesburg High School Renovations Phase	\$ 16,899,263	\$ 832,708
Roof Top Units Replacement	8,504	191,815
Emergency Power Upgrades/Generators	14,900	336,950
Hattiesburg High School Solar Project	6,522	129,546
Total governmental activities	<u>\$ 16,929,189</u>	<u>\$ 1,491,019</u>

Construction projects included in governmental activities are funded with local funds committed for capital improvements and Federal ESSER funds.

Note 6 – Leases

As Lessee:

The school district is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses the Federal Prime Borrowing Rate at lease inception as the discount rate for leases unless the rate that the lessor charges is known.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The school district, acting as lessee, has entered into seven (7) leases for equipment. Details of the lease obligations can be found in Note 7.

As Lessor:

Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

The school district uses the rate of 4% minimum interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

sixteenth section leases is not a part of the lease contract. The school district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the school district.

The school district, acting as lessor, has entered into 107 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed. The district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the district as part of the implementation of GASB Statement No. 87. The school district has, however, included in its financial statements at year end the net present value of future lease payments of \$1,353,606 as a lease receivable and \$1,388,236 as deferred inflows of resources. The deferred inflows of resources for leases are being amortized using the straight-line method of amortization.

The total amount of inflows of resources recognized during the current fiscal year is \$57,206.

The following are the future Principal and Interest Payments to be received on the leases:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 37,692	54,145	91,837
2024	39,200	52,637	91,837
2025	39,244	51,069	90,313
2026	40,814	49,499	90,313
2027	42,447	47,866	90,313
2028-2032	224,166	213,437	437,603
2033-2037	253,542	166,148	419,690
2038-2042	259,546	114,767	374,313
2043-2047	144,144	69,619	213,763
2048-2052	101,475	46,762	148,237
2053-2057	120,077	24,877	144,954
Thereafter	51,259	3,552	54,811
Total	<u>\$ 1,353,606</u>	<u>894,378</u>	<u>2,247,984</u>

Note 7 – Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Adjustments	Balance 6/30/2022	Amounts due within one year
A. General obligation bonds payable	\$ 21,025,000		675,000		20,350,000	715,000
B. Three mill notes payable	1,550,000		330,000		1,220,000	345,000
C. Qualified school construction bonds	6,000,000				6,000,000	
D. Lease obligations			10,924	38,369	27,445	11,178
E. Compensated absences payable	392,761		7,776		384,985	25,000
Subtotals	<u>\$ 28,967,761</u>	<u>-</u>	<u>1,023,700</u>	<u>38,369</u>	<u>27,982,430</u>	<u>1,096,178</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Series, 2019	0.30%	1-Apr-19	1-Apr-39	\$ 22,500,000	\$ 20,350,000
Total				<u>\$ 22,500,000</u>	<u>\$ 20,350,000</u>

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

Year Ending June 30	Principal	Interest	Total
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	1,025,000	584,775	1,609,775
2028-2032	5,825,000	2,339,425	8,164,425
2033-2037	7,085,000	1,277,788	8,362,788
2038-2039	3,085,000	158,856	3,243,856
Total	<u>\$ 20,350,000</u>	<u>7,051,344</u>	<u>27,401,344</u>

This debt will be retired from the Bond Retirement Fund (debt service fund). The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of 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, 2022, the amount of outstanding bonded indebtedness was equal to 6.0% of property assessments as of October 1, 2021.

B. Three mill limited tax promissory 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.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax note, Series 2012	2.42%	15-Jun-12	15-Jun-25	\$ 2,700,000	\$ 635,000
Limited Tax note, Series 2019	2.59%	25-Jul-19	25-Jul-25	800,000	585,000
Total				<u>\$ 3,500,000</u>	<u>\$ 1,220,000</u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

1. Limited obligation bond issue of June 15, 2012

Year Ending June 30		Principal	Interest	Total
2023	\$	225,000	19,281	244,281
2024		205,000	12,813	217,813
2025		205,000	6,663	211,663
Total	\$	635,000	38,757	673,757

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
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	\$	585,000	40,274	625,274

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

Total limited obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
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	\$	1,220,000	79,031	1,299,031

The school district has pledged a portion of the 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 \$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 limit 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 7(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 \$585,000

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

and \$40,274, respectively. State Education Enhancement Fund revenue for the year ended June 30, 2022, was \$173,863. Principal and interest payments for this debt for the year ended June 30, 2022, were \$110,000 and \$18,001, respectively.

C. Qualified school construction bonds payable

As more fully explained in Note 15, 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
QSCB, Series 2009	0.94%	15-Sep-09	14-Sep-24	\$ 3,000,000	\$ 3,000,000
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
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>84,600</u>	<u>3,084,600</u>

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

Year Ending June 30	Principal	Interest	Total
2023	\$ -	165,000	165,000
2024	-	165,000	165,000
2025	-	165,000	165,000
2026	3,000,000	165,000	3,165,000
Total	<u>\$ 3,000,000</u>	<u>660,000</u>	<u>3,660,000</u>

Total qualified school construction bonds payable – all issues.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Year Ending June 30	Principal	Interest	Total
2023	\$ -	193,200	193,200
2024	-	193,200	193,200
2025	3,000,000	193,200	3,193,200
2026	3,000,000	165,000	3,165,000
Total	\$ 6,000,000	744,600	6,744,600

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 15, minimum total sinking fund payments remaining to be paid on the Series 2009 bonds is \$600,000. Sinking fund payments for the current year and total Education Enhancement Funds pledged revenues were \$200,000 and \$173,863, respectively.

D. Obligations under leases

The school district has entered into seven (7) equipment leases as lessee.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Copier - HHS Special Education	3.25%	1-Jul-21	31-Jul-24	\$ 4,583	\$ 3,138
2. Copier - CO - Exceptional Children	3.25%	1-Jul-21	31-Oct-24	5,125	3,636
3. Copier - CO - Child Nutrition	3.25%	1-Jul-21	31-Oct-24	4,062	2,882
4. Copier - Rowan	3.25%	1-Jul-21	31-Oct-24	5,125	3,635
5. Copier - Mary Bethune	3.25%	1-Jul-21	30-Nov-24	5,246	3,760
6. Copier - Parent Ed Center	3.25%	1-Jul-21	15-Feb-25	4,350	3,178
7. Copier - STEAM Academy	3.25%	1-Jul-21	15-Feb-25	9,878	7,216
Total				<u>\$ 38,369</u>	<u>\$ 27,445</u>

Note: Issue date reflects GASB No. 87 implementation date.

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

1. Copier at Hattiesburg High School Special Education Department with an implementation date of July 1, 2021.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,480	80	1,560
2024	1,529	31	1,560
2025	129	1	130
Total	<u>\$ 3,138</u>	<u>112</u>	<u>3,250</u>

2. Copier at Central Office – Exceptional Children Services with an implementation date of July 1, 2021.

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,525	95	1,620
2024	1,575	45	1,620
2025	536	1	537
Total	<u>\$ 3,636</u>	<u>141</u>	<u>3,777</u>

3. Copier at Central Office – Child Nutrition with an implementation date of July 1, 2021.

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,209	75	1,284
2024	1,248	36	1,284
2025	425	1	426
Total	<u>\$ 2,882</u>	<u>112</u>	<u>2,994</u>

4. Copier at Rowan Elementary with an implementation date of July 1, 2021.

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,524	96	1,620
2024	1,575	45	1,620
2025	536	4	540
Total	<u>\$ 3,635</u>	<u>145</u>	<u>3,780</u>

5. Copier at Mary Bethune Elementary with an implementation date of July 1, 2021.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,520	100	1,620
2024	1,570	50	1,620
2025	670	5	675
Total	<u>\$ 3,760</u>	<u>155</u>	<u>3,915</u>

6. Copier at Parent Education Center with an implementation date of July 1, 2021.

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,199	85	1,284
2024	1,238	46	1,284
2025	741	8	749
Total	<u>\$ 3,178</u>	<u>139</u>	<u>3,317</u>

7. Copier at STEAM Academy with an implementation date of July 1, 2021.

Year Ending June 30	Principal	Interest	Total
2023	\$ 2,721	194	2,915
2024	2,812	105	2,917
2025	1,683	18	1,701
Total	<u>\$ 7,216</u>	<u>317</u>	<u>7,533</u>

Total obligations under leases – all issues.

Year Ending June 30	Principal	Interest	Total
2023	\$ 11,178	725	11,903
2024	11,547	358	11,905
2025	4,720	38	4,758
Total	<u>\$ 27,445</u>	<u>1,121</u>	<u>28,566</u>

E. Compensated absences payable

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Note 8 – Other Commitments

Commitments under renovation contracts, described in Note 5, amount to \$1,491,019.

Note 9 – 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, 2022 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, 2022, 2021 and 2020 were \$4,566,002, \$4,241,428, and \$4,208,493, 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, 2022, the school district reported a liability of \$54,187,003 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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,

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

actuarially determined. The school district's proportionate share used to calculate the June 30, 2022 net pension liability was 0.366613 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.003381 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$1,103,590. At June 30, 2022, 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	\$ 369,729	\$
Net difference between projected and actual earnings on pension plan investments		14,429,478
Changes of assumptions	57,614	
Changes in proportion and differences between District contributions and proportionate share of contributions	4,745,100	229,644
District contributions subsequent to the measurement date	4,566,002	
Total	\$ <u>9,738,445</u>	\$ <u>14,659,122</u>

\$4,566,002 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, 2023. 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:	
2023	\$ (3,346,402)
2024	(3,066,599)
2025	(3,073,678)

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

report is dated April 20, 2021.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.60	%
International Equity	22.00		4.50	
Global Equity	12.00		4.80	
Fixed Income	20.00		(0.25)	
Real Estate	10.00		3.75	
Private Equity	8.00		6.00	
Cash Equivalents	1.00		(1.00)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.55 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 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 76,741,501	\$ 54,187,003	\$ 35,600,304

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 10 – 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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$100,319 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$3,096,687 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.48108960 percent. This was a decrease of 0.00201560 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$253,290). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,368	\$ 968,294
Changes of assumptions	501,531	104,733
Net difference between projected and actual earnings on OPEB plan investments	144	
Changes in proportion and differences between District contributions and proportionate share of contributions	8,140	162,048
District contributions subsequent to the measurement date	100,319	
Total	\$ <u>613,502</u>	\$ <u>1,235,075</u>

\$100,319 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, 2023. 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:

2023	\$ (218,209)
2024	(188,672)
2025	(110,790)
2026	(127,279)
2027	(76,942)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Health Care Cost Trends

Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2030

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy. The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. 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, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 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 (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 3,427,590	\$ 3,096,687	\$ 2,814,543

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	\$ 2,868,333	\$ 3,096,687	\$ 3,355,109

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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 11 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated May 11, 2021, creating the Hattiesburg Public School District and Forrest County Agricultural School District Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Hattiesburg Public School District and the Forrest County Agricultural School District

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Hattiesburg Public School District has been designated as the lead school district for the consortium, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Hattiesburg Public School District and Forrest County Agricultural School District Alternative School.

Hattiesburg Public School District and Forrest County Agricultural School District Alternative School
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

Revenues	
Local sources:	
Tuition from other LEA's within the state:	
Forrest County Agricultural School District	\$ 41,000
Total tuition from other LEA's within the state	41,000
Interest	330
Total local sources	41,330
Total Revenues	41,330
Expenditures	
Salaries	578,810
Employee benefits	198,502
Purchased property services	1,687
Supplies	1,915
Property	6,920
Total Expenditures	787,834
Excess (Deficiency) of Revenues Over (Under) Expenditures	(746,504)
Other Financing Sources/Uses:	
Operating transfers in	746,504
Total Other Financing Sources/Uses	746,504
Net Change in Fund Balance	0
Fund Balance:	
July 1, 2021	0
June 30, 2022	\$ 0

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Note 12 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of a prior period error in recording an asset or liability	\$ (47,870)
2. Restatement of prior period amounts of net OPEB liability	(35)
Total	<u>\$ (47,905)</u>

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

Fund	Explanation	Amount
General Fund	Error correction of a prior period recording of an asset or liability	\$ (13,874)
Other governmental funds	Error correction of a prior period recording of an asset or liability	(33,996)
Total		<u>\$ (47,870)</u>

Note 13 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome 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 14 – 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 15 – 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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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, 2022, was \$2,401,499 for the Series 2009 issue, which included cash with fiscal agents. The amount on deposit at June 30, 2022, was \$2,226,235 for the Series 2010 issue, which included cash with fiscal agents of \$80,528, investments of \$1,214,900, and accrued interest of \$4,807. The amount accumulated in the sinking funds 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 funds by the school district.

Year Ending June 30		2009 Series	2010 Series	Total
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	\$	600,000	800,000	1,400,000

Note 16 – Insurance Loss Recoveries

The Hattiesburg Public School District received \$2,753,619 in insurance loss recoveries related to fire damage to buildings. 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 Recoveries	Percentage	Expense Function
\$ 2,753,619	100%	Support services
\$ 2,753,619	100%	

Note 17 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$41,682,135) 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 \$4,566,002 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, 2023. The \$5,172,443 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$41,682,135) includes the effect of deferring the recognition of

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

revenue resulting from a deferred inflow from pensions. The \$14,659,122 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$41,682,135) 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 \$100,319 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, 2023. The \$513,183 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$41,682,135) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,235,075 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$41,682,135) includes the effect of deferring recognition of revenue resulting from a deferred inflow from leases. The \$1,388,236 balance of deferred inflow of resources related to leases at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 40 years.

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Hattiesburg Public School District evaluated the activity of the district through January 27, 2023, and determined that no events have occurred requiring disclosure in the notes to the financial statement

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 20,727,210	20,247,934	20,247,934	(479,276)	0
State sources	19,126,496	19,146,815	19,146,815	20,319	0
Federal sources	142,800	146,625	146,625	3,825	0
Sixteenth section sources	145,000	123,574	88,944	(21,426)	(34,630)
Total Revenues	40,141,506	39,664,948	39,630,318	(476,558)	(34,630)
Expenditures:					
Instruction	21,351,530	18,605,561	18,599,405	2,745,969	6,156
Support services	17,569,608	14,428,781	14,428,781	3,140,827	0
Noninstructional services	7,100	7,844	6,561	(744)	1,283
Sixteenth section	50,200	39,651	39,651	10,549	0
Facilities acquisition and construction	7,352,628	2,381,823	2,381,823	4,970,805	0
Debt service:					
Principal	56,042		6,809	56,042	(6,809)
Interest	35,165	32,591	33,222	2,574	(631)
Total Expenditures	46,422,273	35,496,251	35,496,252	10,926,022	(1)
Excess (Deficiency) of Revenues over (under) Expenditures	(6,280,767)	4,168,697	4,134,066	10,449,464	(34,631)
Other Financing Sources (Uses):					
Sale of transportation equipment	5,000	0	0	(5,000)	0
Sale of other property	10,000	6,795	6,795	(3,205)	0
Operating transfers in	8,160,068	12,555,404	1,478,826	4,395,336	(11,076,578)
Operating transfers out	(10,076,087)	(14,576,514)	(3,499,936)	(4,500,427)	11,076,578
Total Other Financing Sources (Uses)	(1,901,019)	(2,014,315)	(2,014,315)	(113,296)	0
Net Change in Fund Balances	(8,181,786)	2,154,382	2,119,751	10,336,168	(34,631)
Fund Balances:					
July 1, 2021, as previously reported	19,875,265	19,656,465	19,656,465	(218,800)	0
Prior period adjustments	10,000	(13,874)	(13,874)	(23,874)	0
July 1, 2021, as restated	19,885,265	19,642,591	19,642,591	(242,674)	0
June 30, 2022	\$ 11,703,479	21,796,973	21,762,342	10,093,494	(34,631)

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

ESSER II Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 10,911,988	11,175,606	3,273,545	263,618	(7,902,061)
Total Revenues	10,911,988	11,175,606	3,273,545	263,618	(7,902,061)
Expenditures:					
Instruction	2,477,912	3,698,038	1,517,257	(1,220,126)	2,180,781
Support services	1,676,999	2,281,755	1,113,733	(604,756)	1,168,022
Facilities acquisition and construction	5,700,000	3,754,421	8,504	1,945,579	3,745,917
Total Expenditures	9,854,911	9,734,214	2,639,494	120,697	7,094,720
Excess (Deficiency) of Revenues over (under) Expenditures	1,057,077	1,441,392	634,051	384,315	(807,341)
Other Financing Sources (Uses):					
Operating transfers out	(1,057,077)	(1,441,392)	(634,051)	(384,315)	807,341
Total Other Financing Sources (Uses)	(1,057,077)	(1,441,392)	(634,051)	(384,315)	807,341
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2021	0	0	0	0	0
June 30, 2022	\$ 0	0	0	0	0

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

ESSER III ARP Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 25,616,066	26,031,330	2,123,289	415,264	(23,908,041)
Total Revenues	25,616,066	26,031,330	2,123,289	415,264	(23,908,041)
Expenditures:					
Instruction	7,281,990	12,528,678	1,209,696	(5,246,688)	11,318,982
Support services	5,376,099	3,473,962	297,415	1,902,137	3,176,547
Facilities acquisition and construction	11,900,000	7,297,479		4,602,521	7,297,479
Total Expenditures	24,558,089	23,300,119	1,507,111	1,257,970	21,793,008
Excess (Deficiency) of Revenues over (under) Expenditures	1,057,977	2,731,211	616,178	1,673,234	(2,115,033)
Other Financing Sources (Uses):					
Operating transfers out	(1,057,977)	(2,731,211)	(616,178)	(1,673,234)	2,115,033
Total Other Financing Sources (Uses)	(1,057,977)	(2,731,211)	(616,178)	(1,673,234)	2,115,033
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2021	0	0	0	0	0
June 30, 2022	\$ 0	0	0	0	0

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	%	0.366613	0.363232	0.359253	0.369100	0.367900	0.428800	0.439400	0.415100
District's proportionate share of the net pension liability	\$	54,187,003	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	\$	24,376,023	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		222.30%	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		70.44%	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 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.

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Schedule of District Contributions

PERS

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 4,566,002	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	4,566,002	4,241,428	4,208,493	3,685,032	3,712,754	3,716,759	4,320,459	4,323,770
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
District's covered payroll	\$ 26,241,391	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%	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 68 was implemented in FYE 6/30/15, and until a full 10-year trend compiled, the District has only presented information for the years in which information is available.

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	%	0.48108960	0.48310520	0.48500156	0.49130000	0.48860000
District's proportionate share of the net OPEB liability	\$	3,096,687	3,759,563	4,115,437	3,800,249	3,833,927
District's covered - employee payroll		24,376,023	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		12.70%	15.54%	17.59%	16.12%	16.25%
Plan fiduciary net position as a percentage of the total OPEB liability		0.16%	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 75 was implemented in FYE 6/30/18, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Schedule of District Contributions

OPEB

Last 10 Fiscal Years

		2022	2021	2020	2019	2018
Actuarially determined contribution	\$	100,319	124,467	149,931	164,959	163,446
Contributions in relation to the actuarially determined contribution		100,319	124,467	149,931	164,959	163,446
Contribution deficiency (excess)	\$	-	-	-	-	-
District's covered - employee payroll		26,241,391	24,376,023	24,186,741	23,397,101	23,573,041
Contributions as a percentage of covered - employee payroll		0.38%	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 75 was implemented in FYE 6/30/18 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 reports.

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

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

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar 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, 2022

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%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

(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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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.

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.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

- (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, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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	2.19%

SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	225MS326N1099	\$ 621,853
National school lunch program	10.555	225MS326N1099	1,865,927
National school lunch program - commodities	10.555	225MS326N1099	263,375
COVID-19 - Emergency operations cost	10.555	225MS326N1099	314,600
Summer food service program for children	10.559	225MS326N1099	133,629
Total child nutrition cluster			<u>3,199,384</u>
Administrative expense reimbursement	10.560	225MS907N2533	9,456
Total passed-through Mississippi Department of Education			<u>3,208,840</u>
Total U.S. Department of Agriculture			<u>3,208,840</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	70,098
Total U.S. Department of Defense			<u>70,098</u>
<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 S010A210024	3,878,137
Career and technical education - basic grants to states	84.048	V048A210024	80,783
English language acquisition grants	84.365	S365A190024 S365A200024 S365A210024	27,983
Supporting effective instruction state grants	84.367	S367A180023 S367A190023 S367A200023 S367A210023	342,511
School improvement grants	84.377	S377A210025	11,742
Student support and academic enrichment program grants	84.424	S424A180025 S424A190025 S424A200025 S424A210025	316,444
Subtotal			<u>4,657,600</u>
Special education cluster:			
Special education - grants to states	84.027	H027A190108 H027A200108 H027A210108	1,400,715
COVID-19 - Special education - grants to states	84.027X	H027X210108	71,933
Special education - preschool grants	84.173	H173A190113 H173A200113 H173A210113	45,631

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
COVID-19 - Special education - preschool grants	84.173X	H173X210113	14,760
Total special education cluster			1,533,039
COVID-19 - Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	619,946
COVID-19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	3,273,545
COVID-19 - Elementary & Secondary School Emergency Relief Fund Pre-K grant	84.425D	S425D200031	13,309
COVID-19 - Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	2,123,289
Total COVID-19 - Education Stabilization Fund (ESSER)			6,030,089
Total passed-through Mississippi Department of Education			12,220,728
Passed-through Mississippi Department of Rehabilitation Services			
Rehabilitation services - vocational rehabilitation grants to states	84.126	3100021449	42,449
Total passed-through Mississippi Department of Rehabilitation Services			42,449
Total U.S. Department of Education			12,263,177
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	2205MS5ADM	24,132
Total Medicaid cluster			24,132
Total passed-through Mississippi Department of Education			24,132
Total U.S. Department of Health and Human Services			24,132
<u>Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Disability insurance/SSI cluster:			
Social security disability insurance	96.001	4-22-04MSD100	1,204
Total Social security disability insurance cluster			1,204
Total passed-through Mississippi Department of Rehabilitation Services:			1,204
Total Social Security Administration			1,204
Total for All Federal Awards			\$ 15,567,451

The accompanying notes to the supplementary information 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, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hattiesburg Public School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hattiesburg Public School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hattiesburg Public School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2022

<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	\$ 35,650,834	28,519,238	1,423,768	2,458,115	3,249,713
Other	23,737,928	5,541,445	451,158	32,679	17,712,646
Total	<u>\$ 59,388,762</u>	<u>34,060,683</u>	<u>1,874,926</u>	<u>2,490,794</u>	<u>20,962,359</u>
Total number of students *	<u>3,186</u>				
Cost per student	<u>\$ 18,641</u>	<u>10,691</u>	<u>588</u>	<u>782</u>	<u>6,580</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

(This page left blank intentionally)

OTHER INFORMATION

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 20,247,934	20,036,157	18,462,086	18,150,570
State sources	19,146,815	18,737,955	19,387,472	18,702,285
Federal sources	146,625	130,957	101,960	390,690
Sixteenth section sources	88,944	158,396	130,963	138,723
Total Revenues	39,630,318	39,063,465	38,082,481	37,382,268
Expenditures:				
Instruction	18,599,405	17,917,154	18,721,124	18,424,446
Support services	14,428,781	13,365,669	13,405,129	13,756,453
Noninstructional services	6,561	2,313	1,622	6,266
Sixteenth section	39,651	47,531	32,708	30,273
Facilities acquisition and construction	2,381,823	1,523,519	138,797	
Debt service:				
Principal	6,809			
Interest	33,222	33,903	35,165	36,378
Total Expenditures	35,496,252	32,890,089	32,334,545	32,253,816
Excess (Deficiency) of Revenues over (under) Expenditures	4,134,066	6,173,376	5,747,936	5,128,452
Other Financing Sources (Uses):				
Insurance recovery		2,249	18,420	12,254
Sale of transportation equipment			6,300	
Sale of other property	6,795	8,555	8,454	17,230
Operating transfers in	1,478,826	487,985	280,319	36,378
Operating transfers out	(3,499,936)	(6,821,084)	(1,366,671)	(742,750)
Total Other Financing Sources (Uses)	(2,014,315)	(6,322,295)	(1,053,178)	(676,888)
Net Change in Fund Balances	2,119,751	(148,919)	4,694,758	4,451,564
Fund Balances:				
Beginning of period, as previously reported	19,656,465	19,777,598	15,010,995	10,559,431
Prior period adjustments	(13,874)	27,786	45,588	
Fund reclassification			26,257	
Beginning of period, as restated	19,642,591	19,805,384	15,082,840	10,559,431
Increase (Decrease) in reserve for inventory				
End of Period	\$ 21,762,342	\$ 19,656,465	\$ 19,777,598	\$ 15,010,995

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 23,641,465	23,513,359	21,420,559	21,218,818
State sources	20,642,218	20,526,649	21,127,690	20,321,573
Federal sources	16,408,733	12,374,243	8,837,001	9,104,519
Sixteenth section sources	27,210	222,398	227,815	264,109
Total Revenues	60,719,626	56,636,649	51,613,065	50,909,019
Expenditures:				
Instruction	27,885,896	26,886,849	23,912,155	23,223,875
Support services	19,348,719	17,194,404	16,894,111	17,245,508
Noninstructional services	2,967,482	2,458,955	2,733,131	2,839,780
Sixteenth section	39,651	47,531	32,708	30,273
Facilities acquisition and construction	7,110,787	14,192,521	12,684,953	1,040,922
Debt service:				
Principal	1,015,924	960,000	735,000	1,869,270
Interest	1,014,803	1,048,561	1,054,302	321,625
Other	5,500	6,000	4,500	5,480
Total Expenditures	59,388,762	62,794,821	58,050,860	46,576,733
Excess (Deficiency) of Revenues over (under) Expenditures	1,330,864	(6,158,172)	(6,437,795)	4,332,286
Other Financing Sources (Uses):				
Bonds and notes issued			800,000	22,500,000
Insurance recovery	2,753,619	152,249	18,420	24,053
Transfer in to escrow agent	509,162			
Sale of transportation equipment			6,300	
Sale of other property	7,945	8,555	8,454	17,255
Transfer in to escrow agent		529,224	521,930	546,128
Operating transfers in	4,978,762	7,309,069	1,646,990	865,128
Payment to QCSB escrow agent	(509,162)	(529,224)	(521,930)	(546,128)
Operating transfers out	(4,978,762)	(7,309,069)	(1,646,990)	(865,128)
Total Other Financing Sources (Uses)	2,761,564	160,804	833,174	22,541,308
Net Change in Fund Balances	4,092,428	(5,997,368)	(5,604,621)	26,873,594
Fund Balances:				
Beginning of period, as previously reported	34,536,381	40,479,809	45,996,697	19,156,592
Prior period adjustments	(47,870)	31,537	43,650	
Fund reclassification			26,257	
Beginning of period, as restated	34,488,511	40,511,346	46,066,604	19,156,592
Increase (Decrease) in reserve for inventory	(16,207)	22,403	17,826	(33,489)
End of Period	\$ 38,564,732	\$ 34,536,381	\$ 40,479,809	\$ 45,996,697

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board
Hattiesburg Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hattiesburg Public School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated January 27, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 or significant deficiencies may exist that were not identified.

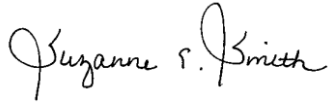
Report on Compliance and Other Matters

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

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large, looped 'S' at the beginning.

Suzanne E. Smith, CPA, PLLC
Starkville, MS 39760

January 27, 2023

SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and the School Board
Hattiesburg Public School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hattiesburg Public School District's compliance with the type of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hattiesburg Public School District's major federal programs for the year ended June 30, 2022. 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.

In our opinion, Hattiesburg Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 of Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hattiesburg Public School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hattiesburg Public School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hattiesburg Public School District's federal programs.

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

Auditor's Responsibilities for Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Hattiesburg Public School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hattiesburg Public School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hattiesburg Public School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hattiesburg Public School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Hattiesburg Public School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an immaterial instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as **Finding 2022-001**. Our opinion on each major federal award program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Hattiesburg Public School District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Hattiesburg Public School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to

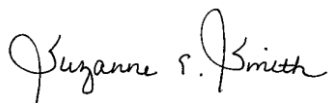
be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding 2022-001** to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Hattiesburg Public School District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Hattiesburg Public School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 purposes.



Suzanne E. Smith, CPA, PLLC
Starkville, MS 39760

January 27, 2023

(This page left blank intentionally)

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

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board
Hattiesburg Public School District

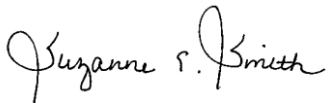
We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hattiesburg Public School District as of and for the year ended June 30, 2022, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued our report thereon dated January 27, 2023. 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 did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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.



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi

January 27, 2023

(This page left blank intentionally)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

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) Yes

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) Yes

7. Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
84.027	Special Education Cluster: Special Education - Grants to States COVID 19 – Special Education – Grants to States Special Education – Preschool Grants
84.027X	
84.173	
84.425D	COVID 19 – Elementary & Secondary School Emergency Relief Fund I
84.425D	COVID 19 – Elementary & Secondary School Emergency Relief Fund II
84.425U	COVID 19 – Elementary & Secondary School Emergency Relief Fund ARP III
84.425D	COVID 19 - Pre-K ESSER Grant

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.15(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*.

Section III: Federal Award Findings and Questioned Costs

Finding considered a Significant Deficiency in Internal Control over Compliance and Noncompliance that is not considered Material –

Finding 2022-001. 84.425D COVID-19 – Elementary & Secondary School Emergency Relief Fund ARP III; 84.027 Special Education – Grants to States and 84.173 Special Education – Preschool Grants; and 84.010 Title I Grants to Local Educational Agencies - Cost Principles (Contract Provisions for Non-Federal Entity Contracts Under Federal Awards).

Criteria: Appendix II to 2 CFR 200 – *Contract Provisions for Non-Federal Entity Contracts Under Federal Awards* requires that all contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity, including the manner by which it will be affected and the basis for settlement.

Condition: Our testing of nonpayroll expenditures showed contractual service agreements for educational consulting services and special education therapy and consulting services that did not contain language that addresses termination for cause and for convenience by the school district, including the manner by which it will be affected and the basis for settlement.

Cause: The school district did not realize that the contract element was required.

Effect: The contracts did not comply with all contract provisions outlined in Appendix II to 2 CFR 200.

Questioned Costs: None

Perspective: We identified five (5) vendors providing services under Federal awards whose contracts did not contain the contract provisions regarding termination for cause and for convenience.

Recommendation: The district should familiarize itself with the requirements of *Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards* and provide a thorough review of each contract in excess of \$10,000 before approving the contract, checking for appropriate provision wording.

Views of Responsible Officials: The views of district administration are outlined in the Auditee's Correction Plan.

AUDITEE CORRECTIVE ACTION PLAN

(This page left blank intentionally)



Hattiesburg Public Schools

301 Mamie Street
Hattiesburg, MS 39401
Phone: 601-582-5078
Fax: 601-583-7339

Auditee's Corrective Action Plan For the Year Ended June 30, 2022

Finding 2022-001. 84.425D COVID-19 – Elementary & Secondary School Emergency Relief Fund ARP III; 84.027 Special Education – Grants to States and 84.173 Special Education – Preschool Grants; and 84.010 Title I Grants to Local Educational Agencies – Cost Principals (Contract Provisions for Non-Federal Entity Contracts Under Federal Awards).

District Response:

A. Corrective Action Plan:

The district will strengthen internal controls over contracts to ensure all contracts under federal awards contain the required contract provisions. A contract review checklist will be utilized during the contract review process.

B. Person Responsible:

Name: Dr. Robert Williams
Title: Superintendent
Contact: (601) 582-5078

C. Anticipated Completion Date:

February 1, 2023

(This page left blank intentionally)