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HATTIESBURG PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2023

St. Clair CPA, PLLC
Carriere, MS

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INDEPENDENT AUDITOR'S REPORT

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Hattiesburg Public School District

Report on the Audit of the Financial Statements

Opinions

I 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, 2023, 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 my 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, 2023, 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

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the Hattiesburg Public School District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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*, I

- 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 my 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.

I am 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 I 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) on pages 9-16, 63-65, 66, 67, 68 and 69 respectively, 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My 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 my 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 my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 29, 2024, on my consideration of the Hattiesburg Public School District's internal control over financial reporting and on my 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 my 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.

St. Clair CPA, PLLC

St. Clair CPA, PLLC
Carriere, MS
July 29, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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HATTIESBURG PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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 2023 increased \$10,494,564, including a prior period adjustment of (\$32,563), which represents an 138% increase from fiscal year 2022. 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.
- General revenues amounted to \$45,034,530 and \$41,744,886, or 66% and 66% of all revenues for fiscal years 2023 and 2022, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$23,468,005, or 34% of total revenues for 2023, and \$21,728,359, or 34% of total revenues for 2022.
- The district had \$57,975,408 and \$48,819,438 in expenses for fiscal years 2023 and 2022; only \$23,468,005 for 2023 and \$21,728,359 for 2022 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$45,034,530 for 2023 and general revenues of \$41,744,886 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$42,618,491 in revenues and \$38,657,284 in expenditures for 2023, and \$39,630,318 in revenues and \$35,496,252 in expenditures in 2022. The General Fund's fund balance increased by \$3,485,506, including a prior period adjustment of (\$203), from 2022 to 2023, and increased by \$2,105,877, including a prior period adjustment of (\$13,874), from 2021 to 2022.
- Capital assets, including intangible right to use assets and net of accumulated depreciation/amortization, increased by \$5,000,799 for 2023, including a prior period adjustment of (\$32,366) and increased by \$5,767,475, including a prior period adjustment of \$38,369, for 2022. The increase for 2023 was due primarily to the addition of construction in progress expenditures coupled with the increase in accumulated depreciation.
- Long-term debt, including compensated absences, leases and SBITA obligations, decreased by \$801,199 for 2023 and decreased by \$985,331 for 2022. This decrease for 2023 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$3,211 for 2023 and decreased by \$7,776 for 2022.

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

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

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

Fund Financial Statements

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

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 \$18,116,527 as of June 30, 2023.

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, 2023 and June 30, 2022.

Table 1
Condensed Statement of Net Position

	June 30, 2023	June 30, 2022	Percentage Change
Current assets	\$ 43,123,680	\$ 36,217,888	19.07 %
Restricted assets	7,604,130	6,954,298	9.34 %
Capital assets, net	65,182,946	60,182,147	8.31 %
Total assets	115,910,756	103,354,333	12.15 %
Deferred outflows of resources	18,537,977	10,351,947	79.08 %
Current liabilities	4,985,005	3,535,764	40.99 %
Long-term debt outstanding	27,181,231	27,982,430	(2.86) %
Net pension liability	78,452,070	54,187,003	44.78 %
Net OPEB liability	2,461,690	3,096,687	(20.51) %
Total liabilities	113,079,996	88,801,884	27.34 %
Deferred inflows of resources	3,252,210	17,282,433	81.18 %
Net position:			
Net investment in capital assets	41,256,911	35,636,647	15.77 %
Restricted	15,048,089	13,667,451	10.10 %
Unrestricted	(38,188,473)	(41,682,135)	8.38 %
Total net position	\$ 18,116,527	\$ 7,621,963	137.69 %

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)	(\$38,188,473)
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	63,983,579
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 25,795,106</u>

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

- Increase in capital assets of \$5,000,799.
- The principal retirement of \$1,208,168 of long-term debt, including principal payments on lease obligations and subscription-based software arrangements.
- Increase in net pension liability of \$24,265,067.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$68,502,535 and \$63,473,245, respectively. The total cost of all programs and services was \$57,975,408 for 2023 and \$48,819,438 for 2022.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

Table 2
Changes in Net Position

	Year Ended June 30, 2023	Year Ended June 30, 2022	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 557,850	\$ 3,227,124	(82.71) %
Operating grants and contributions	19,183,038	18,459,538	3.92 %
Capital Grants and Contributions	3,727,117	41,697	8,838.57 %
General revenues:			
Property taxes	22,732,312	22,066,732	3.02 %
Grants and contributions not restricted	18,949,136	18,549,715	2.15 %
Investment earnings	776,753	388,459	99.96 %
Sixteenth section sources	166,877	80,920	106.22 %
Other	2,409,452	659,060	265.59 %
Total revenues	68,502,535	63,473,245	7.92 %
Expenses:			
Instruction	27,110,594	25,218,942	7.50 %
Support services	20,741,595	18,837,426	10.11 %
Non-instructional	3,233,092	2,867,076	12.77 %
Sixteenth section	65,120	39,651	64.23 %
Pension expense	6,233,339	1,103,590	464.82 %
OPEB expense	(388,595)	(253,290)	(53.42) %
Interest on long-term liabilities	980,263	1,006,043	(2.56) %
Total expenses	57,975,408	48,819,438	18.75 %
Increase (Decrease) in net position	10,527,127	14,653,807	(28.16) %
Net Position, July 1, as previously reported	7,621,963	(6,983,939)	209.14 %
Prior Period Adjustment	(32,563)	(47,905)	32.03 %
Net Position, July 1, as restated	7,589,400	(7,031,844)	207.93 %
Net Position, June 30	\$ 18,116,527	\$ 7,621,963	137.69 %

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.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2023	2022	
Instruction	\$ 27,110,594	\$ 25,218,942	7.50 %
Support services	20,741,595	18,837,426	10.11 %
Non-instructional	3,233,092	2,867,076	12.77 %
Sixteenth section	65,120	39,651	64.23 %
Pension Expense	6,233,339	1,103,590	464.82 %
OPEB Expense	(388,595)	(253,290)	(53.42) %
Interest on long-term liabilities	980,263	1,006,043	(2.56) %
Total expenses	\$ 57,975,408	\$ 48,819,438	18.75 %

	Net (Expense) Revenue		Percentage Change
	2023	2022	
Instruction	\$ (15,276,012)	\$ (15,348,465)	0.47 %
Support services	(12,660,694)	(10,900,750)	(16.15) %
Non-instructional	309,631	924,010	(66.49) %
Sixteenth section	(65,120)	(39,651)	(64.23) %
Pension Expense	(6,233,339)	(1,103,590)	(464.82) %
OPEB Expense	388,595	253,290	53.42 %
Interest on long-term liabilities	(970,464)	(875,923)	(10.79) %
Total net (expense) revenue	\$ (34,507,403)	\$ (27,091,079)	(27.38) %

- Net cost of governmental activities [(\$34,507,403) for 2023 and (\$27,091,079) for 2022] was financed by general revenue, which is primarily made up of property taxes (\$22,732,312 for 2023 and \$22,066,732 for 2022) and state and federal revenues (\$18,949,136 for 2023 and \$18,549,715 for 2022). In addition, there was \$166,877 and \$80,920 in Sixteenth Section sources for 2023 and 2022, respectively.
- Investment earnings amounted to \$776,753 for 2023 and \$388,459 for 2022.

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 \$44,404,455, an increase of \$5,839,723, which includes a prior period adjustment of (\$203) and an increase in inventory of \$6,526. \$9,347,846 or 21% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$35,056,609 or 79% 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 \$3,485,506, which included a prior period adjustment of (\$203). The fund balance of Other Governmental Funds showed an increase in the amount of \$2,354,217, which includes an increase in reserve for inventory of \$6,526.

The change in the fund balance of other major funds is as follows:

ESSER II Fund – No increase or decrease
ARP ESSER III Fund – No increase or decrease

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2023, the District's total capital assets were \$93,523,866, including land, construction in progress, 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 \$6,506,446 from 2022. Total accumulated depreciation, including the amortization of intangible right to use assets, as of June 30, 2023, was \$28,340,920, and total depreciation/amortization expense for the year was \$2,641,827, resulting in total net capital assets of \$65,182,946.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Land	\$ 704,392	\$ 704,392	0.00 %
Construction in Progress	5,926,455	16,929,189	(64.99) %
Buildings	25,066,791	25,912,779	(3.26) %
Building improvements	26,696,536	10,123,593	163.71 %
Improvements other than buildings	4,183,196	4,424,281	(5.45) %
Mobile equipment	1,753,858	1,804,060	(2.78) %
Furniture and equipment	560,659	256,680	118.43 %
Lease assets	62,367	27,173	129.52 %
Subscription IT assets	228,692	0	N/A
Total	<u>\$ 65,182,946</u>	<u>\$ 60,182,147</u>	8.31 %

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

Debt Administration. At June 30, 2023, the District had \$27,181,231 in outstanding long-term debt, including compensated absences, obligations under lease liabilities, and obligations under subscription-based software agreements, of which \$1,214,000 is due within one year. The liability for compensated absences increased \$3,211

from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2023	June 30, 2022	Percentage Change
General obligation refunding bonds payable	\$ 19,635,000	\$ 20,350,000	(3.51) %
Three mill notes payable	875,000	1,220,000	(28.28) %
Qualified school construction bonds payable	6,000,000	6,000,000	0.00 %
Lease obligations	63,338	27,445	130.78 %
SBITA obligations	219,697	0	N/A
Compensated absences payable	388,196	384,985	0.83 %
Total	<u>\$ 27,181,231</u>	<u>\$ 27,982,430</u>	(2.86) %

Additional information on the district's long-term debt can be found in Note 6 and Note 7 included in this report.

CURRENT ISSUES

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.

BASIC FINANCIAL STATEMENTS

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HATTIESBURG PUBLIC SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 35,004,050
Due from other governments	5,191,887
Lease receivable (Note 6)	1,621,685
Other receivables, net	1,211,263
Inventories	94,795
Restricted assets (Note 4)	7,604,130
Non-depreciable capital assets (Note 5)	
Land	704,392
Construction in progress	5,926,455
Depreciable capital assets, net (Note 5)	
Buildings	25,066,791
Building improvements	26,696,536
Improvements other than buildings	4,183,196
Mobile equipment	1,753,858
Furniture and equipment	560,659
Leased assets	62,367
Subscription IT assets	228,692
Total Assets	<u><u>115,910,756</u></u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 9)	17,910,108
Deferred outflow - OPEB (Note 10)	627,869
Total Deferred Outflows of Resources	<u><u>18,537,977</u></u>
Liabilities	
Accounts payable and accrued liabilities	4,678,941
Interest payable on long-term liabilities	306,064
Long-term liabilities (Due within one year)	
Capital related liabilities (Note 7)	1,070,500
Non-capital related liabilities (Note 7)	143,500
Net OPEB liability (Note 10)	117,686
Long-term liabilities (Due beyond one year)	
Capital related liabilities (Note 7)	22,855,535
Non-capital related liabilities (Note 7)	3,111,696
Net pension liability (Note 9)	78,452,070
Net OPEB liability (Note 10)	2,344,004
Total Liabilities	<u><u>113,079,996</u></u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

Exhibit A

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 9)	229,644
Deferred inflows - OPEB (Note 10)	1,378,152
Deferred inflow - leases (Note 6)	1,644,414
Total Deferred Inflows of Resources	<u>3,252,210</u>
Net Position	
Net investment in capital assets	41,256,911
Restricted net position	
Expendable	
School-based activities	4,049,695
Debt service	7,748,172
Unemployment benefits	122,160
Non-expendable	
Sixteenth section	3,128,062
Unrestricted	<u>(38,188,473)</u>
Total Net Position	<u><u>\$ 18,116,527</u></u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2023

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	\$ 27,110,594	433,945	11,400,637		(15,276,012)
Support services	20,741,595	97,200	4,656,809	3,326,892	(12,660,694)
Non-instructional	3,233,092	26,705	3,115,793	400,225	309,631
Sixteenth section	65,120				(65,120)
Pension expense	6,233,339				(6,233,339)
OPEB expense	(388,595)				388,595
Interest on long-term liabilities	980,263		9,799		(970,464)
Total Governmental Activities	<u>57,975,408</u>	<u>557,850</u>	<u>19,183,038</u>	<u>3,727,117</u>	<u>(34,507,403)</u>
General Revenues					
Taxes					
General purpose levies					20,031,263
Debt purpose levies					2,701,049
Unrestricted grants and contributions					
State					18,949,136
Unrestricted investment earnings					776,753
Sixteenth section sources					166,877
Other					<u>2,409,452</u>
Total General Revenues					<u>45,034,530</u>
Changes in Net Position					<u>10,527,127</u>
Net Position - Beginning , as previously reported					7,621,963
Prior Period Adjustments (Note 12)					(32,563)
Net Position - Beginning - as restated					<u>7,589,400</u>
Net Position - Ending					<u>\$ 18,116,527</u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2023

Exhibit C

	Major Funds				
	General Fund	ESSER II Fund	ARP ESSER III Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 2)	\$ 25,451,099			10,137,990	35,589,089
Cash with fiscal agent (Note 2)				3,054,692	3,054,692
Investments (Note 2)				3,952,666	3,952,666
Due from other governments	711,855	1,419,364	1,681,656	1,379,012	5,191,887
Accrued interest receivable				11,733	11,733
Lease receivable (Note 6)	1,621,685				1,621,685
Other receivables, net				1,211,263	1,211,263
Due from other funds (Note 3)	3,029,501			1,327	3,030,828
Advances to other funds (Note 3)				638,025	638,025
Inventories				94,795	94,795
Total Assets	30,814,140	1,419,364	1,681,656	20,481,503	54,396,663
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	3,282,526	603,346	529,058	264,011	4,678,941
Due to other funds (Note 3)	1,327	816,018	1,152,598	1,060,885	3,030,828
Advances from other funds (Note 3)	638,025				638,025
Total Liabilities	3,921,878	1,419,364	1,681,656	1,324,896	8,347,794
Deferred Inflows of Resources					
Leases (Note 6)	1,644,414				1,644,414
Total Deferred Inflows of Resources	1,644,414	0	0	0	1,644,414
Total Liabilities and Deferred Inflows of Resources	5,566,292	1,419,364	1,681,656	1,324,896	9,992,208
Fund Balances					
Nonspendable					
Inventory				94,795	94,795
Permanent fund principal				2,490,037	2,490,037
Advances				638,025	638,025
Restricted					
Debt service				8,054,236	8,054,236
Unemployment benefits				122,160	122,160
Grant activities				2,676,959	2,676,959
Early childhood learning				1,277,941	1,277,941
Assigned					
Capital improvements	15,188,661			3,802,454	18,991,115
Technology	222,455				222,455
Student Activities	488,886				488,886
Unassigned	9,347,846				9,347,846
Total Fund Balances	25,247,848	0	0	19,156,607	44,404,455
Total Liabilities and Fund Balances	\$ 29,169,726	1,419,364	1,681,656	20,481,503	52,752,249
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$ 30,814,140	1,419,364	1,681,656	20,481,503	54,396,663

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 44,404,455
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	704,392	
Construction in progress	5,926,455	
Buildings	43,683,402	
Building improvements	28,975,702	
Improvement other than buildings	7,339,756	
Mobile equipment	3,917,892	
Furniture and equipment	2,531,140	
Leased assets	92,679	
Subscription IT assets	352,448	
Accumulated depreciation	<u>(28,340,920)</u>	65,182,946
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(78,452,070)
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	17,910,108	
Deferred inflows of resources related to pensions	<u>(229,644)</u>	17,680,464
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		(2,461,690)
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	627,869	
Deferred inflows of resources related to OPEB	<u>(1,378,152)</u>	(750,283)
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 refunding bonds	(19,635,000)	
Three mill limited tax notes payable	(875,000)	
Qualified school construction bonds payable	(6,000,000)	
Lease obligations	(63,338)	
Subscription IT obligations	(219,697)	
Compensated absences	(388,196)	
Accrued interest payable	<u>(306,064)</u>	(27,487,295)
Total Net Position - Governmental Activities		<u>\$ 18,116,527</u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

Exhibit D

	Major Funds				
	General Fund	ESSER II Fund	ARP ESSER III Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$21,199,754			3,469,048	24,668,802
State sources	21,255,174			1,496,957	22,752,131
Federal sources	10,225	3,783,002	4,799,346	10,514,587	19,107,160
Sixteenth section sources	153,338			103,493	256,831
Total Revenues	42,618,491	3,783,002	4,799,346	15,584,085	66,784,924
Expenditures					
Instruction	19,646,210	702,226	3,292,582	6,355,669	29,996,687
Support services	15,469,851	381,045	399,333	4,180,754	20,430,983
Noninstructional services	11,052	4,112		3,642,319	3,657,483
Sixteenth section	65,120				65,120
Facilities acquisition and construction	3,402,345	2,552,249	774,643		6,729,237
Debt service					
Principal (Note 7)	27,368	24,953	79,385	1,076,462	1,208,168
Interest	35,338	1,123	8,405	945,879	990,745
Other				5,000	5,000
Total Expenditures	38,657,284	3,665,708	4,554,348	16,206,083	63,083,423
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,961,207	117,294	244,998	(621,998)	3,701,501
Other Financing Sources (Uses)					
Leases issued (Note 6)	54,310				54,310
SBITAs issued (Note 6)	38,004	24,953	249,865	36,626	349,448
Insurance loss recoveries (Note 16)				1,717,513	1,717,513
Sale of transportation equipment	10,530				10,530
Gain on lease termination	98				98
Payment held by escrow agent				409,557	409,557
Operating transfers in (Note 3)	1,125,051			1,785,281	2,910,332
Operating transfers out (Note 3)	(1,703,491)	(142,247)	(494,863)	(569,731)	(2,910,332)
Payment to bond escrow agent				(409,557)	(409,557)
Total Other Financing Sources (Uses)	(475,498)	(117,294)	(244,998)	2,969,689	2,131,899
Net Change in Fund Balances	3,485,709	0	0	2,347,691	5,833,400
Fund Balances					
July 1, 2022, as previously reported	21,762,342			16,802,390	38,564,732
Prior period adjustments (Note 12)	(203)				(203)
July 1, 2022, as restated	21,762,139	0	0	16,802,390	38,564,529
Increase in reserve for inventory				6,526	6,526
June 30, 2023	\$25,247,848	0	0	19,156,607	44,404,455

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Exhibit D-1

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, 2023

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 5,833,400

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

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, those amounts are:

Capital outlay	7,848,745	
Depreciation expense	<u>(2,641,827)</u>	5,206,918

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 asset sold.

(173,753)

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:

Lease/subscription IT obligations issued	(403,758)	
Payments of debt principal	1,208,168	
Accrued interest payable	<u>10,482</u>	814,892

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. These activities include:

Pension expense	(6,233,339)	
Contributions made subsequent to the measurement date	<u>4,569,413</u>	(1,663,926)

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. These activities include:

OPEB expense	388,595	
Contributions made subsequent to the measurement date	<u>117,686</u>	506,281

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 the governmental funds. These activities include:

Change in compensated absences	(3,211)	
Change in inventory reserve	<u>6,526</u>	3,315

Changes in Net Position of Governmental Activities	<u><u>\$ 10,527,127</u></u>
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The notes to the financial statements are an integral part of this statement.

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HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2023

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.

ARP ESSER III 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.

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, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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 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.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Investments

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

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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
Right to use leased property asset	**	**
Right to use Subscription IT asset	***	***

(**) A capitalization threshold amount has not been set for right to use property assets. Right to use leased property assets will be amortized in a rational and systematic manner over the shorter of the lease term or the useful life of the underlying asset.

(***) A capitalization threshold amount has not been set for right to use subscription IT assets. Right to use subscription IT assets will be amortized in a rational and systematic manner over the shorter of the subscription term or the useful of the underlying IT 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.

Deferred outflows of resources related to pensions

Deferred outflows of resources related to OPEB (Other post-employment benefits)

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Deferred inflows of resources related to pensions
Deferred inflows of resources related to OPEB (Other post-employment benefits)
Deferred inflows of resources related to leases

See Notes 6, 9, 10, and 17 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 the lessee, the school district uses the Federal prime borrowing rate in effect at the date of the lease inception to calculate the present value of lease payments when the rate implicit in the lease is not known.

When acting as the lessor, the school district uses 4% to calculate the present value of lease payments involving the leasing of 16th section school lands.

10. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs. The school district uses the U. S. Treasury yield curve rate at the date of the SBITA inception to calculate the present value of lease payments when the rate implicit in the lease is not known.

11. 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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.

12. Pensions

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

13. 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.

14. 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 the official action of the school board to approve committed fund balances and to detail the action in its official minutes. 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 management 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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2023

unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

It is the goal of the 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. If the unassigned fund balance at fiscal year-end falls below the goal, the district will develop a restoration plan to achieve and maintain the minimum fund balances.

15. Accounting Standards Update

GASB 96, Subscription-Based Information Technology Arrangements, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purpose of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs.

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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$35,589,089.

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 was \$3,054,692.

Investments

As of June 30, 2023, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U. S. Treasury Bonds and Notes	AA+	Less than 5	\$ 2,140,900
Asset Backed Securities	Unrated	Less than 5	10,027
	AA+	Less than 5	433,420
	Unrated	5 - 10	13,307
	AA+	5 - 10	245,865
	AA+	20 - 25	44,486
Municipal Bonds	A+-AA1	Less than 5	364,517
	AA	5 - 10	129,666
U.S. Treasury/Agency Securities	AA+	Less than 5	25,273
	AA+	5 - 10	459,598
	AA+	10 - 15	85,607
Total			\$ <u>3,952,666</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; and Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2023:

- 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.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2023

- *Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.
- *Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2023, 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	\$ 816,018
	ARP ESSER III Fund	1,152,598
	Other governmental funds	1,060,885
Other governmental funds	General Fund	1,327
		<u>\$ 3,030,828</u>

Inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account due to the General Fund at June 30, 2023. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from other governments. Inter-fund balances also include operational transfers due from the General Fund to other governmental funds.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other governmental funds	General Fund	\$ 638,025
Total		<u>\$ 638,025</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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund balances. The interest rate on the sixteenth section principal loans as of June 30, 2023, is four (4) percent.

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

2014 Series Sixteenth Section Principal Loan -

Year Ending June 30	Principal	Interest	Total
2024	\$ 24,500	\$ 5,266	\$ 29,766
Total	<u>\$ 24,500</u>	<u>\$ 5,266</u>	<u>\$ 29,766</u>

2016 Series Sixteenth Section Principal Loan -

Year Ending June 30	Principal	Interest	Total
2024	\$ 36,899	\$ 5,266	\$ 42,165
2025	38,376	23,065	61,441
2026	39,911	21,530	61,441
2027	41,507	19,934	61,441
2028	43,167	18,273	61,440
2029 - 2033	243,161	64,043	307,204
2034 - 2038	170,504	13,818	184,322
Total	<u>\$ 613,525</u>	<u>\$ 165,929</u>	<u>\$ 779,454</u>

Total amounts due on all loans -

Year Ending June 30	Principal	Interest	Total
2024	\$ 61,399	\$ 10,532	\$ 71,931
2025	38,376	23,065	61,441
2026	39,911	21,530	61,441
2027	41,507	19,934	61,441
2028	43,167	18,273	61,440
2029 - 2033	243,161	64,043	307,204
2034 - 2038	170,504	13,818	184,322
Total	<u>\$ 638,025</u>	<u>\$ 171,195</u>	<u>\$ 809,220</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,703,491
ESSER II Fund	General Fund	99,059
	Other governmental funds	43,188
ARP ESSER III Fund	General Fund	456,261
	Other governmental funds	38,602
Other governmental funds	General Fund	569,731
Total		<u>\$ 2,910,332</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance (\$585,039), cash with fiscal agents balance (\$87,115), investment balance (\$1,811,766), and accrued interest balance (\$6,116) 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 (\$2,967,577), investment balance (\$2,140,900), and accrued interest balance (\$5,617) 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 \$7,604,130.

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, 2023

	Balance 7/1/2022	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2023
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 704,392					704,392
Construction-in-progress	16,929,189	6,729,237		(17,731,971)		5,926,455
Total non-depreciable capital assets	17,633,581	6,729,237	0	(17,731,971)		6,630,847
<u>Depreciable capital assets:</u>						
Buildings	44,292,806		609,406		2	43,683,402
Building improvements	11,243,731			17,731,971		28,975,702
Improvements other than buildings	7,309,341	30,414			1	7,339,756
Mobile equipment	4,076,552	219,740	378,400			3,917,892
Furniture and equipment	2,423,040	462,596	354,496			2,531,140
Lease assets	38,369	54,310				92,679
Subscription IT assets		352,448				352,448
Total depreciable capital assets	69,383,839	1,119,508	1,342,302	17,731,971	3	86,893,019
<u>Less accumulated depreciation for:</u>						
Buildings	18,380,027	724,107	487,523			18,616,611
Building improvements	1,120,138	1,159,028				2,279,166
Improvements other than buildings	2,885,060	239,131			32,369	3,156,560
Mobile equipment	2,272,492	232,103	340,561			2,164,034
Furniture and equipment	2,166,360	144,586	340,465			1,970,481
Lease assets	11,196	19,116				30,312
Subscription IT assets	0	123,756				123,756
Total accumulated depreciation	26,835,273	2,641,827	1,168,549	0	32,369	28,340,920
Total depreciable capital assets, net	42,548,566	(1,522,319)	173,753	17,731,971	(32,366)	58,552,099
Governmental activities capital assets, net	\$ 60,182,147	5,206,918	173,753	0	(32,366)	65,182,946
Total capital assets, net, not including lease and subscription IT assets						64,891,887
Lease and subscription IT assets, net						291,059
Total capital assets, net as reported in the statement of net position						65,182,946

Depreciation expense (including amortization expense) was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 572,655
Support services	1,948,487
Non-instructional	120,685
Total depreciation expense - Governmental activities	\$ 2,641,827

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

	Spent to June 30, 2023	Remaining Commitment
Governmental Activities:		
ESSER/Roof Top Unit Replacement - Multiple Campus	\$ 2,537,982	\$ 7,311,730
ESSER/Roof Top Unit Replacement - Hattiesburg High	59,555	147,016
Emergency Power Upgrades/Generator Installations	205,415	146,434
Hattiesburg High School Solar Project	127,408	8,660
Hattiesburg High/Mary Bethune Roof Project	957,022	643,442
District-Wide Campus Improvements	180,000	Unknown
Hawkins/CO HVAC & Improvements	1,750,114	8,414,354
Softball Fieldhouse Project	108,959	32,015
Total governmental activities	<u>\$ 5,926,455</u>	<u>16,703,651</u>

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

Note 6 – Leases and Subscription Based IT Assets

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 cognizes 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, plus 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 the date of 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 option to terminate for which it is reasonably certain not to 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 ten (10) leases for equipment. Details of the lease obligations can be found in Note 7.

As Lessor:

Leases

Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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 minimum rate of 4% 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 sixteenth section leases is not a part of the lease contract.

The school district, acting as lessor, has entered into 124 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 lease executed.

The total amount of inflows recognized in the reporting period from these leases is \$66,703. The school district has included in its financial statements at year end the net present value of future lease payments as a leases receivable (intangible asset) and as deferred inflows of resources.

The following are the future principal and interest payments to be received on the leases:

Year Ending June 30	Lease Principal	Interest	Total
2024	\$ 43,677	64,867	108,544
2025	43,901	63,120	107,021
2026	45,657	61,364	107,021
2027	47,483	59,538	107,021
2028	48,412	57,639	106,051
2029-2033	260,832	258,457	519,289
2034 - 2038	291,182	203,450	494,632
2039 – 2043	293,539	143,774	437,313
2044 – 2048	173,813	93,345	267,158
2049 - 2053	139,743	63,905	203,648
2054 - 5058	165,026	33,821	198,847
Thereafter	68,420	5,859	74,279
Total	\$ 1,621,685	1,109,139	2,730,824

SBITAs

The school district is a lessee for various noncancellable leases of subscription-based software. For subscriptions that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the subscription arrangement. For all other subscription-based information technology arrangements, other than short term, the school district recognized a subscription payable and an intangible right-to-use subscription asset.

At subscription commencement, the school district initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability plus payments associated with the subscription made to the vendor at the inception of the arrangement, plus capitalized implementation costs, less vendor incentives. Subsequently, the subscription asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2023

The school district generally uses U. S. Treasury yield curve rate at subscription inception as the discount rate for subscriptions unless the rate that the lessor charges is known.

The subscription term includes the noncancellable period of the subscription 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 to terminate for which it is reasonably certain NOT to 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 subscription term.

As Lessee:

The school district has entered into five (5) IT subscription arrangements. Details of the lease obligations can be found in Note 7.

Note 7 – Long-term Liabilities

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

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>due within</u>
					<u>one year</u>
A. General obligation refunding bonds payable	\$ 20,350,000		715,000	19,635,000	750,000
B. Three mill notes payable	1,220,000		345,000	875,000	335,000
C. Qualified school construction bonds	6,000,000			6,000,000	0
D. Lease obligations	27,445	54,310	18,417	63,338	24,101
E. SBITA obligations	0	349,448	129,751	219,697	104,899
F. Compensated absences payable	384,985	3,211		388,196	0
Total	\$ 27,982,430	406,969	1,208,168	27,181,231	1,214,000

A. General obligation bonds payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest</u>	<u>Issue</u>	<u>Maturity</u>		<u>Amount</u>
	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>Amount Issued</u>	<u>Outstanding</u>
General obligation bonds, Series					
2019	0.30%	1-Apr-19	1-Apr-39	\$ 22,500,000	\$ 19,635,000
Total				\$ 22,500,000	19,635,000

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

General obligation bond issue of April 1, 2019.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
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	1,075,000	543,775	1,618,775
2029-2033	6,060,000	2,153,925	8,213,925
2034-2038	7,350,000	1,025,519	8,375,519
Thereafter	1,510,000	52,850	1,562,850
Total	<u>\$ 19,635,000</u>	<u>6,333,369</u>	<u>25,968,369</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, 2023, the amount of outstanding bonded indebtedness was equal to 5% of property assessments at October 1, 2022.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax note, Series 2012	2.42%	15-Jun-12	15-Jun-25	\$ 2,700,000	410,000
2. Limited tax note, Series 2019	2.59%	25-Jul-19	25-Jul-25	800,000	465,000
Total				<u>\$ 3,500,000</u>	<u>875,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 205,000	12,813	217,813
2025	205,000	6,663	211,663
Total	<u>\$ 410,000</u>	<u>19,476</u>	<u>429,476</u>

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

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
2024	\$ 130,000	12,043	142,043
2025	165,000	8,676	173,676
2026	170,000	4,403	174,403
Total	<u>\$ 465,000</u>	<u>25,122</u>	<u>490,122</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 335,000	24,856	359,856
2025	370,000	15,339	385,339
2026	170,000	4,403	174,403
Total	<u>\$ 875,000</u>	<u>44,598</u>	<u>919,598</u>

Future pledge of revenue.

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 improvements 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 and are \$490,122. State Education Enhancement Fund revenue for the year ended June 30, 2023, was \$173,863. Principal and interest payments for this debt for the year ended June 30, 2023, were \$120,000 and \$15,152, 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		Maturity		Amount	
	Rate	Issue Date	Date	Amount Issued	Outstanding	
1. QSCB, Series 2009	0.94%	15-Sep-09	14-Sep-24	\$ 3,000,000	3,000,000	
2. QSCB, Series 2010	1.25%	1-Dec-10	1-Dec-25	\$ 3,000,000	3,000,000	
Total				<u>\$ 6,000,000</u>	<u>6,000,000</u>	

The following 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, 2023

1. Qualified School Construction Bonds of September 15, 2009.

Year Ending June 30	Principal	Interest	Total
2024	\$ 0	28,200	28,200
2025	3,000,000	28,200	3,028,200
Total	\$ 3,000,000	56,400	3,056,400

This debt will be retired from the 3 Mill Debt Service Fund (debt service fund).

2. Qualified School Construction Bonds of December 1, 2010.

Year Ending June 30	Principal	Interest	Total
2024	\$ 0	165,000	165,000
2025	0	165,000	165,000
2026	3,000,000	165,000	3,165,000
Total	\$ 3,000,000	495,000	3,495,000

This debt will be retired from the 3 Mill Debt Service Fund (debt service fund).

Total Qualified School Construction Bonds all issues.

Year Ending June 30	Principal	Interest	Total
2024	\$ 0	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	551,400	6,551,400

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 sinking fund payments remaining to be paid on the Series 2009 bonds is \$400,000. Sinking fund payments for the current year and total Education Enhancement Funds pledged revenues were \$200,000 and \$173,863, respectively.

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Notes to the Financial Statements
For Year Ended June 30, 2023

D. Lease obligations

The school district has entered into ten (10) 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	\$ 1,658
2. Copier - CO - Exceptional Children	3.25%	1-Jul-21	31-Oct-24	5,125	2,111
3. Copier - CO - Child Nutrition	3.25%	1-Jul-21	31-Oct-24	4,062	1,673
4. Copier - Rowan	3.25%	1-Jul-21	31-Oct-24	5,125	2,111
5. Copier - Mary Bethune	3.25%	1-Jul-21	30-Nov-24	5,246	2,240
6. Copier - Parent Ed Center	3.25%	1-Jul-21	15-Feb-25	4,350	1,978
7. Copier - STEAM Academy	3.25%	1-Jul-21	15-Feb-25	9,878	4,494
8. Copier - Grace Christian	7.50%	1-Dec-22	30-Nov-26	18,103	15,691
9. Copier - HHS - Copy Room	7.50%	1-Dec-22	30-Nov-26	18,103	15,691
10. Copier - HHS - Copy Room	7.50%	1-Dec-22	30-Nov-26	18,103	15,691
Total				<u>\$ 92,678</u>	<u>63,338</u>

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.

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,529	31	1,560
2025	129	1	130
Total	<u>\$ 1,658</u>	<u>32</u>	<u>1,690</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,575	45	1,620
2025	536	1	537
Total	<u>\$ 2,111</u>	<u>46</u>	<u>2,157</u>

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

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For Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,248	36	1,284
2025	425	1	426
Total	<u>\$ 1,673</u>	<u>37</u>	<u>1,710</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,575	45	1,620
2025	536	4	540
Total	<u>\$ 2,111</u>	<u>49</u>	<u>2,160</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,570	50	1,620
2025	670	5	675
Total	<u>\$ 2,240</u>	<u>55</u>	<u>2,295</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,237	85	1,322
2025	741	8	749
Total	<u>\$ 1,978</u>	<u>93</u>	<u>2,071</u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
2024	\$ 2,812	194	3,006
2025	1,682	19	1,701
Total	<u>\$ 4,494</u>	<u>213</u>	<u>4,707</u>

8. Copier at Grace Christian Elementary with a start date of December 1, 2022.

Year Ending June 30	Principal	Interest	Total
2024	\$ 4,185	1,035	5,220
2025	4,510	710	5,220
2026	4,861	39	4,900
2027	2,135	40	2,175
Total	<u>\$ 15,691</u>	<u>1,824</u>	<u>17,515</u>

9. Copier at Hattiesburg High School Copy Room with a start date of December 1, 2022.

Year Ending June 30	Principal	Interest	Total
2024	\$ 4,185	1,035	5,220
2025	4,510	710	5,220
2026	4,861	39	4,900
2027	2,135	40	2,175
Total	<u>\$ 15,691</u>	<u>1,824</u>	<u>17,515</u>

10. Copier at Hattiesburg High School Copy Room with a start date of December 1, 2022.

Year Ending June 30	Principal	Interest	Total
2024	\$ 4,185	1,035	5,220
2025	4,510	710	5,220
2026	4,861	39	4,900
2027	2,135	40	2,175
Total	<u>\$ 15,691</u>	<u>1,824</u>	<u>17,515</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
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Total lease obligations – all issues.

Year Ending June 30	Principal	Interest	Total
2024	\$ 24,101	3,591	27,692
2025	18,249	2,169	20,418
2026	14,583	117	14,700
2027	6,405	120	6,525
Total	\$ 63,338	5,997	69,335

E. SBITA obligations

Details of the subscription obligations are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. FinalSite Web Content Management	4.62%	1-Jul-22	30-Oct-25	\$ 31,185	\$ 21,256
2. Instructure On-line Assessments	5.0%	1-Jul-22	30-Jun-25	249,865	170,480
3. MSBA Agenda Development Subscription	5.0%	1-Jul-22	30-Jun-27	6,819	4,085
4. KAMI Digital Classroom PowerSchool Schoology Learning	4.50%	1-Aug-22	31-Jul-25	36,626	23,876
5. Management System	4.72%	1-Jul-22	31-Dec-23	24,953	0
				<u>\$ 349,448</u>	<u>\$ 219,697</u>

The following is a schedule by years of the debt due on SBITAs:

Year Ending June 30	Principal	Interest	Total
2024	\$ 104,899	7,425	112,324
2025	112,009	2,362	114,371
2026	1,360	139	1,499
2027	1,429	71	1,500
\$	<u>219,697</u>	<u>9,997</u>	<u>229,694</u>

F. 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, 2023

Note 8 – Other Commitments

Commitments under construction contracts, described in Note 5, amount to \$16,703,651.

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, 2023 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, 2023, 2022 and 2021 were \$4,569,413, \$4,566,002 and \$4,241,428, 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, 2023, the school district reported a liability of \$78,452,070 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2023 net pension liability was 0.381138 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.014525 percent from its proportionate share used to calculate the June 30, 2022 net pension

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
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liability, which was based on a measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$6,233,339. At June 30, 2023 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	\$ 991,551	\$
Net difference between projected and actual earnings on pension plan investments	2,596,917	
Changes of assumptions	57,614	
Changes in proportion and differences between District contributions and proportionate share of contributions	9,694,613	229,644
District contributions subsequent to the measurement date	4,569,413	
Total	\$ <u>17,910,108</u>	\$ <u>229,644</u>

\$4,569,413 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, 2024. 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:	
2024	\$ 2,950,978
2025	3,230,781
2026	2,672,694
2027	4,256,598

Actuarial assumptions. The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. 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

HATTIESBURG PUBLIC SCHOOL DISTRICT
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For Year Ended June 30, 2023

actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience 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	25.00	%	4.60	%
International Equity	20.00		4.50	
Global Equity	12.00		4.85	
Fixed Income	18.00		1.40	
Real Estate	10.00		3.65	
Private Equity	10.00		6.00	
Private Infrastructure	2.00		4.00	
Private Credit	2.00		4.00	
Cash Equivalents	1.00		(0.10)	
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	\$ 102,387,963	\$ 78,452,070	\$ 58,718,372

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

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For Year Ended June 30, 2023

only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$117,686 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,461,690 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the District's proportion was 0.49964895 percent. This was an increase of 0.01855935 percent from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$388,595). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HATTIESBURG PUBLIC SCHOOL DISTRICT
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,039	\$ 1,066,506
Changes of assumptions	383,940	227,920
Net difference between projected and actual earnings on OPEB plan investments	170	
Changes in proportion and differences between District contributions and proportionate share of contributions	124,034	83,726
District contributions subsequent to the measurement date	117,686	
Total	\$ <u>627,869</u>	\$ <u>1,378,152</u>

\$117,686 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2024. 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:

2024	\$ (258,228)
2025	(179,012)
2026	(196,277)
2027	(144,232)
2028	(64,439)
Thereafter	(25,781)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, 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	3.37%
Prior Measurement Date	2.13%
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021

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Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.37%
Prior Measurement Date	2.13%

Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2023 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2029 FYE

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, 2022 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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 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, 2022 was 3.37 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. 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, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Current Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 2,711,855	\$ 2,461,690	\$ 2,246,801

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:

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 2,290,426	\$ 2,461,690	\$ 2,654,425

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

Notes to the Financial Statements

For Year Ended June 30, 2023

Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2023

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	0
Total local sources	41,000
Total Revenues	41,000

Expenditures

Salaries	610,594
Employee benefits	210,020
Purchased property services	6,970
Supplies	2,821
Property	7,250
Total Expenditures	837,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	(796,655)

Other Financing Sources/Uses:

Operating transfers in	796,655
Total Other Financing Sources/Uses	796,655
Net Change in Fund Balance	0

Fund Balance:

July 1, 2022	0
June 30, 2023	\$ 0

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. Error correction - recording prior year asset or liability	\$ (203)
2. Restatement of prior year capital assets	(32,366)
3. Restatement of prior year Net OPEB liability	6
Total	\$ (32,563)

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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

Fund	Explanation	Amount
General Fund	Error correction - recording prior year asset or liability	\$ (203)
Total		<u>\$ (203)</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.

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2023, was \$5,114,093, which includes cash with fiscal agents of \$2,967,577, investments of \$2,140,900, and interest of \$5,616. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the minimum annual deposits to be made to the sinking fund by the school district.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Year Ending June 30	2009 Series	2010 Series	Total
2024	\$ 200,000	200,000	400,000
2025	200,000	200,000	400,000
2026	0	200,000	200,000
Total	\$ 400,000	600,000	1,000,000

Note 16 - Insurance loss recoveries

The Hattiesburg Public School District received \$1,717,513 in insurance loss recoveries during the year. The insurance recoveries were related to damage sustained to a district building in a fire and were reported as other general revenues in the Statement of Activities.

Note 17 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$38,188,473) 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 \$4,569,413 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, 2024. The \$13,340,695 balance of deferred outflow of resources related to pensions, at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$38,188,473) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$229,644 balance of deferred inflow of resources related to pensions, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$38,188,473) 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 \$117,686 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, 2024. The \$510,183 balance of deferred outflow of resources related to OPEB, at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$38,188,473) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,378,152 balance of deferred inflow of resources related to OPEB, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$38,188,473) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from leases. The \$1,644,414 balance of deferred inflow of resources related to leases at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 38 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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2023

the accompanying notes. Management of the Hattiesburg Public School District evaluated the activity of the district through July 29, 2024 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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HATTIESBURG PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$20,854,781	21,199,754	21,199,754	344,973	0
State sources	21,170,515	21,255,174	21,255,174	84,659	0
Federal sources	110,000	10,224	10,225	(99,776)	1
Sixteenth section sources	135,000	141,534	153,338	6,534	11,804
Total Revenues	<u>42,270,296</u>	<u>42,606,686</u>	<u>42,618,491</u>	<u>336,390</u>	<u>11,805</u>
Expenditures					
Instruction	22,467,570	19,607,298	19,646,210	2,860,272	(38,912)
Support services	19,854,887	15,446,645	15,469,851	4,408,242	(23,206)
Noninstructional services	20,100	12,336	11,052	7,764	1,284
Sixteenth section	58,200	65,120	65,120	(6,920)	0
Facilities acquisition and construction	9,108,537	3,402,345	3,402,345	5,706,192	0
Debt service					
Principal	59,981	0	27,368	59,981	(27,368)
Interest	31,226	31,226	35,338	0	(4,112)
Total Expenditures	<u>51,600,501</u>	<u>38,564,970</u>	<u>38,657,284</u>	<u>13,035,531</u>	<u>(92,314)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,330,205)</u>	<u>4,041,716</u>	<u>3,961,207</u>	<u>13,371,921</u>	<u>(80,509)</u>
Other Financing Sources (Uses)					
Lease obligations issued	0	0	54,310	0	54,310
Subscription IT obligations issued	0	0	38,004	0	38,004
Sale of transportation equipment	5,000	10,530	10,530	5,530	0
Sale of other property	10,000	0	0	(10,000)	0
Gain on lease termination	0	0	98	0	98
Operating transfers in	9,200,587	13,623,953	1,125,051	4,423,366	(12,498,902)
Operating transfers out	(7,919,744)	(14,202,393)	(1,703,491)	(6,282,649)	12,498,902
Total Other Financing Sources (Uses)	<u>1,295,843</u>	<u>(567,910)</u>	<u>(475,498)</u>	<u>(1,863,753)</u>	<u>92,412</u>
Net Change in Fund Balances			<u>3,485,709</u>		
Fund Balances					
July 1, 2022, as previously reported			21,762,342		
Prior period adjustments			(203)		
July 1, 2022, as restated			<u>21,762,139</u>		
June 30, 2023			<u>\$25,247,848</u>		

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - ESSER II Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 7,897,175	7,902,061	3,783,002	4,886	(4,119,059)
Total Revenues	<u>7,897,175</u>	<u>7,902,061</u>	<u>3,783,002</u>	<u>4,886</u>	<u>(4,119,059)</u>
Expenditures					
Instruction	2,180,781	752,163	702,226	1,428,618	49,937
Support services	1,164,442	381,045	381,045	783,397	0
Noninstructional services	0	4,599	4,112	(4,599)	487
Facilities acquisition and construction	3,745,917	6,622,007	2,552,249	(2,876,090)	4,069,758
Debt service					
Principal	0	0	24,953	0	(24,953)
Interest	0	0	1,123	0	(1,123)
Total Expenditures	<u>7,091,140</u>	<u>7,759,814</u>	<u>3,665,708</u>	<u>(668,674)</u>	<u>4,094,106</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>806,035</u>	<u>142,247</u>	<u>117,294</u>	<u>(663,788)</u>	<u>(24,953)</u>
Other Financing Sources (Uses)					
Subscription IT obligations issued	0	0	24,953	0	24,953
Operating transfers out	(806,035)	(142,247)	(142,247)	663,788	0
Total Other Financing Sources (Uses)	<u>(806,035)</u>	<u>(142,247)</u>	<u>(117,294)</u>	<u>663,788</u>	<u>24,953</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2022			<u>0</u>		
June 30, 2023			<u>\$ 0</u>		

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

HATTIESBURG PUBLIC SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - ARP ESSER III Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	23,908,041	23,908,041	4,799,346	0	(19,108,695)
Total Revenues	<u>23,908,041</u>	<u>23,908,041</u>	<u>4,799,346</u>	<u>0</u>	<u>(19,108,695)</u>
Expenditures					
Instruction	11,318,982	10,448,257	3,292,582	870,725	7,155,675
Support services	3,176,547	3,766,190	399,333	(589,643)	3,366,857
Facilities acquisition and construction	7,297,479	8,656,275	774,643	(1,358,796)	7,881,632
Debt service					
Principal	0	0	79,385	0	(79,385)
Interest	0	0	8,405	0	(8,405)
Total Expenditures	<u>21,793,008</u>	<u>22,870,722</u>	<u>4,554,348</u>	<u>(1,077,714)</u>	<u>18,316,374</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,115,033</u>	<u>1,037,319</u>	<u>244,998</u>	<u>(1,077,714)</u>	<u>(792,321)</u>
Other Financing Sources (Uses)					
Subscription IT obligations issued	0	0	249,865	0	249,865
Operating transfers out	(2,115,033)	(1,037,319)	(494,863)	1,077,714	542,456
Total Other Financing Sources (Uses)	<u>(2,115,033)</u>	<u>(1,037,319)</u>	<u>(244,998)</u>	<u>1,077,714</u>	<u>792,321</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2022			<u>0</u>		
June 30, 2023			<u>\$ 0</u>		

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate share of the net pension liability	\$ 78,452,070	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 proportion of the net pension liability	0.381138%	0.366616%	0.363232%	0.359253%	0.369100%	0.367900%	0.428800%	0.439400%	0.415100%
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	25,364,660
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.96%	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	59.93%	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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,569,413	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	\$ 4,569,413	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)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 26,260,994	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%	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 is compiled, the District has only presented information for the years in which information is available.

HATTIESBURG PUBLIC SCHOOL DISTRICT**Schedule of the District's Proportionate Share of the Net OPEB Liability****OPEB****Last 10 Fiscal Years ***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportionate share of the net OPEB liability	\$ 2,461,690	3,096,687	3,759,563	4,115,437	3,800,249	3,833,927
District's proportion of the net OPEB liability	0.49964895%	0.48108960%	0.48310520%	0.48500156%	0.49130000%	0.48860000%
District's covered-employee payroll	\$ 26,241,391	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	9.38%	12.70%	15.54%	17.59%	16.12%	16.25%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	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 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of District Contributions
OPEB
Last 10 Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution **	\$ 117,686	100,319	124,467	149,931	164,959	163,446
Contributions in relation to the contractually required contribution **	\$ 117,686	100,319	124,467	149,931	164,959	163,446
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered-employee payroll	\$ 26,260,994	26,241,391	24,376,023	24,186,741	23,397,101	23,573,041
Contributions as a percentage of covered-employee payroll	0.45%	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.

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

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.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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%.

(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, 2020 valuation for the June 30, 2022 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	27.7 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.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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.

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.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

- (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, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

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	6.50%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2030
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

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SUPPLEMENTARY INFORMATION

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HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	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	235MS326N1099	\$ 860,134
National school lunch program	10.555	235MS326N1099	2,832,813
Summer food service program for children	10.559	235MS326N1099	112,225
Total child nutrition cluster			<u>3,805,172</u>
Administrative expense reimbursement	10.560	235MS907N533	8,382
Total passed-through Mississippi Department of Education			<u>3,813,554</u>
Total U.S. Department of Agriculture			<u>3,813,554</u>
<u>U.S. Department of Defense</u>			
Direct program:			
Reserve officers' training corps	12.xxx	N/A	<u>71,079</u>
Total U.S. Department of Defense			<u>71,079</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010A	S010A220024	4,118,065
Title I - program for neglected and delinquent children	84.013A	S010A220024	81,063
Career and technical education - basic grants to states	84.048A	V048A220024	127,417
Education for homeless children and youth	84.196A	S196A220025	37,506
English language acquisition grants	84.365A	S365A220024	33,567
Supporting effective instruction - state grants	84.367A	S367A220023	485,398
School improvement grants	84.377A	S377A160025	11,705
Student support and academic enrichment program	84.424A	S424A220025	282,684
			<u>5,177,405</u>
Education stabilization funds:			
COVID-19 - Education stabilization fund (ESSER) I	84.425D	S425D200031	209,398
COVID-19 - Education stabilization fund (ESSER) II	84.425D	S425D210031	3,783,003
COVID-19 - ESSER I - Early Childhood Pre-K Grant	84.425D	S425D200031	55,119
COVID-19 - Education stabilization fund (ESSER) ARP III	84.425U	S425U210031	4,799,346
Total education stabilization funds			<u>8,846,866</u>
Special education cluster:			
Special education - grants to states	84.027A	H027A220108	1,297,742
COVID-19 - Special education - grants to states ARP	84.027X	H027X210108	69,507
Total special education - grants to states			<u>1,367,249</u>
Special education - preschool grants	84.173A	H173A220113	39,834
COVID-19 - Special education - preschool grants ARP	84.173X	H173X220113	1,122
Total special education - preschool grants			<u>40,956</u>
Total special education cluster			<u>1,408,205</u>
Total passed-through Mississippi Department of Education			<u>15,432,476</u>
Total U.S. Department of Education			<u>15,432,476</u>

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	2305MS5ADM	9,721
Total Medicaid cluster			9,721
Total passed-through Mississippi Department of Education			9,721
Total U.S. Department of Health and Human Services			9,721
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social security disability insurance	96.001	04-19-04MSD100	504
Total passed-through the Mississippi Department of Rehabilitation Services			504
Total U.S. Department of Social Security Administration			504
 Total for All Federal Awards			 <u>\$ 19,327,333</u>

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

HATTIESBURG PUBLIC SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2023

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2023. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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 School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Noncash Awards

Donated commodities of \$252,412 are included in the national school lunch program.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2023

<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	\$ 37,624,143	30,253,521	1,270,989	2,468,244	3,631,389
Other	25,459,280	6,395,033	578,300	36,844	18,449,103
Total	<u>63,083,423</u>	<u>36,648,554</u>	<u>1,849,289</u>	<u>2,505,088</u>	<u>22,080,492</u>
Total number of students	<u>3,291</u>				
Cost per student	<u>\$ 19,168</u>	<u>11,136</u>	<u>562</u>	<u>761</u>	<u>6,709</u>

Notes to the schedule.

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.

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

OTHER INFORMATION

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HATTIESBURG PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

	UNAUDITED			
	2023	2022*	2021*	2020*
Revenues				
Local sources	\$ 21,199,754	20,247,934	20,036,157	18,462,086
State sources	21,255,174	19,146,815	18,737,955	19,387,472
Federal sources	10,225	146,625	130,957	101,960
Sixteenth section sources	153,338	88,944	158,396	130,963
Total Revenues	<u>42,618,491</u>	<u>39,630,318</u>	<u>39,063,465</u>	<u>38,082,481</u>
Expenditures				
Instruction	19,646,210	18,599,405	17,917,154	18,721,124
Support services	15,469,851	14,428,781	13,365,669	13,405,129
Noninstructional services	11,052	6,561	2,313	1,622
Sixteenth section	65,120	39,651	47,531	32,708
Facilities acquisition and construction	3,402,345	2,381,823	1,523,519	138,797
Debt service				
Principal	27,368	6,809	0	0
Interest	35,338	33,222	33,903	35,165
Total Expenditures	<u>38,657,284</u>	<u>35,496,252</u>	<u>32,890,089</u>	<u>32,334,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,961,207</u>	<u>4,134,066</u>	<u>6,173,376</u>	<u>5,747,936</u>
Other Financing Sources (Uses)				
Lease obligations issued	54,310	0	0	0
Subscription IT obligations issued	38,004	0	0	0
Insurance loss recoveries	0	0	2,249	18,420
Sale of transportation equipment	10,530	0	0	6,300
Sale of other property	0	6,795	8,555	8,454
Gain on lease termination	98	0	0	0
Operating transfers in	1,125,051	1,478,826	487,985	280,319
Operating transfers out	(1,703,491)	(3,499,936)	(6,821,084)	(1,366,671)
Total Other Financing Sources (Uses)	<u>(475,498)</u>	<u>(2,014,315)</u>	<u>(6,322,295)</u>	<u>(1,053,178)</u>
Net Change in Fund Balances	<u>3,485,709</u>	<u>2,119,751</u>	<u>(148,919)</u>	<u>4,694,758</u>
Fund Balances:				
Beginning of period, as previously reported	21,762,342	19,656,465	19,777,598	15,010,995
Prior period adjustments	(203)	(13,874)	27,786	45,588
Fund reclassification	0	0	0	26,257
Beginning of period, as restated	<u>21,762,139</u>	<u>19,642,591</u>	<u>19,805,384</u>	<u>15,082,840</u>
End of period	<u>\$ 25,247,848</u>	<u>21,762,342</u>	<u>19,656,465</u>	<u>19,777,598</u>

* Source - Prior year audit reports.

HATTIESBURG PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

	UNAUDITED			
	2023	2022*	2021*	2020*
Revenues				
Local sources	\$ 24,668,802	23,641,465	23,513,359	21,420,559
State sources	22,752,131	20,642,218	20,526,649	21,127,690
Federal sources	19,107,160	16,408,733	12,374,243	8,837,001
Sixteenth section sources	256,831	27,210	222,398	227,815
Total Revenues	<u>66,784,924</u>	<u>60,719,626</u>	<u>56,636,649</u>	<u>51,613,065</u>
Expenditures				
Instruction	29,996,687	27,885,896	26,886,849	23,912,155
Support services	20,430,983	19,348,719	17,194,404	16,894,111
Noninstructional services	3,657,483	2,967,482	2,458,955	2,733,131
Sixteenth section	65,120	39,651	47,531	32,708
Facilities acquisition and construction	6,729,237	7,110,787	14,192,521	12,684,953
Debt service				
Principal	1,208,168	1,015,924	960,000	735,000
Interest	990,745	1,014,803	1,048,561	1,054,302
Other	5,000	5,500	6,000	4,500
Total Expenditures	<u>63,083,423</u>	<u>59,388,762</u>	<u>62,794,821</u>	<u>58,050,860</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,701,501</u>	<u>1,330,864</u>	<u>(6,158,172)</u>	<u>(6,437,795)</u>
Other Financing Sources (Uses)				
Bonds and notes issued	0	0	0	800,000
Lease obligations issued	54,310	0	0	0
Subscription IT obligation issued	349,448	0	0	0
Insurance loss recoveries	1,717,513	2,753,619	152,249	18,420
Sale of transportation equipment	10,530	0	0	6,300
Sale of other property	0	7,945	8,555	8,454
Gain on lease termination	98	0	0	0
Transfer in to escrow agent	409,557	509,162	529,224	521,930
Operating transfers in	2,910,332	4,978,762	7,309,069	1,646,990
Payment to QSCB escrow agent	(409,557)	(509,162)	(529,224)	(521,930)
Operating transfers out	(2,910,332)	(4,978,762)	(7,309,069)	(1,646,990)
Total Other Financing Sources (Uses)	<u>2,131,899</u>	<u>2,761,564</u>	<u>160,804</u>	<u>833,174</u>
Net Change in Fund Balances	<u>5,833,400</u>	<u>4,092,428</u>	<u>(5,997,368)</u>	<u>(5,604,621)</u>
Fund Balances:				
Beginning of period, as previously reported	38,564,732	34,536,381	40,479,809	45,996,697
Prior period adjustments	(203)	(47,870)	31,537	43,650
Fund reclassification	0	0	0	26,257
Beginning of period, as restated	<u>38,564,529</u>	<u>34,488,511</u>	<u>40,511,346</u>	<u>46,066,604</u>
Increase (Decrease) in reserve for inventory	<u>6,526</u>	<u>(16,207)</u>	<u>22,403</u>	<u>17,826</u>
End of period	<u>\$ 44,404,455</u>	<u>38,564,732</u>	<u>34,536,381</u>	<u>40,479,809</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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*

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Hattiesburg Public School District

I 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, 2023, and the related notes to the financial statements, which collectively comprise Hattiesburg Public School District's basic financial statements, and have issued my report thereon dated July 29, 2024.

Report on Internal Control Over Financial Reporting

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

St. Clair CPA, PLLC

St. Clair CPA, PLLC
Carriere, MS
July 29, 2024

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Hattiesburg Public School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Hattiesburg Public School District's compliance with the types 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, 2023. Hattiesburg Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Hattiesburg Public School District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My 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.

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

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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.

Auditor's Responsibilities for the Audit of Compliance

My 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 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 GAAS, *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 GAAS, *Government Auditing Standards*, and the Uniform Guidance, I did

- 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.

I am 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 I identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over

compliance may exist that were not identified.

My 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.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

St. Clair CPA, PLLC

St. Clair CPA, PLLC

Carriere, MS

July 29, 2024

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

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Superintendent and School Board
Hattiesburg Public School District

I 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, 2023, which collectively comprise Hattiesburg Public School District's basic financial statements and have issued my report thereon dated July 29, 2024. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation and Hattiesburg Public School District's response are as follows:

Member: AICPA MSCPA
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Finding – PERS Retirees

CRITERIA: *Section 25-11-127(4), Mississippi Code Annotated (1972)*, provides that a reemployed retiree is not paid more than allowed as noted on the PERS Form 4B.

CONDITION: While testing a sample of ten (10) PERS Form 4Bs for reemployment of retirees, it was noted that one (1) PERS retiree was overpaid \$927.25 by the maximum compensation allowable on their PERS Form 4B.

CAUSE: The cause of the condition was a failure to ensure that a rehired retiree was not paid more than statutorily allowed.

EFFECT: The district is not in compliance with *Section 25-11-127(4), Miss. Code of 1972* and the rules and regulations of PERS.

RECOMMENDATION: It is recommended that the district strengthen controls to ensure that reemployed retirees are not paid in excess of the allowable wages on the PERS Form 4B.

DISTRICT'S RESPONSE: The district agrees with the finding and will strengthen controls surrounding notification of retiree compensation limits.

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

The Hattiesburg Public School District's response to the finding included in this report was not audited and, accordingly, I express no opinion on it.

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

St. Clair CPA, PLLC

St. Clair CPA, PLLC

Carriere, MS

July 29, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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HATTIESBURG PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Federal program identified as major program: | |

Assistance Listing

Number

Name of Federal Program or Cluster

10.553, 10.555 & 10.559

Child Nutrition Cluster

84.425D

COVID-19 – Education Stabilization Fund (ESSER) I

84.425D

COVID-19 – Education Stabilization Fund (ESSER) II

84.425D

COVID-19 – ESSER I – Early Childhood Pre-K Grant

84.425U

COVID-19 – Education Stabilization Fund (ESSER) ARP III

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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SUMMARY OF PRIOR AUDIT FINDINGS

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Hattiesburg Public Schools

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SUMMARY OF PRIOR AUDIT FINDING

As required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Hattiesburg Public School District has prepared and hereby submits the following Summary of Prior Audit Finding as of June 30, 2023.

<u>Finding</u>	<u>Status</u>
2022 – 001	Corrected

Sincerely,

Dr. Robert L. Willaims
Superintendent

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