

TUPELO PUBLIC SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2017**

TUPELO PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Tupelo Public School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Tupelo Public School District's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District, as of June 30, 2017, and the

respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-11, 49-50, 51, and 52, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tupelo Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018, on our consideration of the Tupelo Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on 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 Tupelo Public School District's internal control over financial reporting and compliance.

Okolona, Mississippi
January 8, 2018

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The following discussion and analysis of Tupelo Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. 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 2017 decreased \$7,069,900, including a prior period adjustment of \$43,814, which represents a 122% decrease from fiscal year 2016. Total net position for 2016 decreased \$3,590,604, including a prior period adjustment of \$134,630, which represents a 100% decrease from fiscal year 2015.
- General revenues amounted to \$67,987,234 and \$65,670,807, or 85% and 85% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,393,723, or 15% of total revenues for 2017 and \$11,173,254, or 15% of total revenues for 2016.
- The District had \$87,494,671 and \$80,543,086 in expenses for fiscal years 2017 and 2016; only \$12,393,723 for 2017 and \$11,173,254 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$67,987,234 for 2017 were not adequate to provide for these programs and \$65,670,807 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$63,265,881 in revenues and \$54,736,546 in expenditures for 2017, and \$61,264,919 in revenues and \$54,696,637 in expenditures for 2016. The General Fund's fund balance increased by \$8,023,887 from 2016 to 2017, including a decrease in reserve for inventory of \$619, and increased by \$6,111,727, including a prior period adjustment of \$134,630, from 2015 to 2016.
- Among major funds, the Title I-A 2016-2017 Fund had \$1,611,093 in revenues and \$1,481,954 in expenditures for 2017. The Title I-A 2016-2017 Fund's fund balance did not change from 2016 to 2017.
- Among major funds, the Bond Issue 2015 Capital Projects Fund had \$105,525 in revenues and \$12,282,332 in expenditures for 2017. The Bond Issue 2015 Capital Projects Fund's fund balance decreased by \$11,480,638 from 2016 to 2017.
- Among major funds, the Bond Issue 2017 Capital Projects Fund had \$5,081 in revenues and no expenditures for 2017. The Bond Issue 2017 Capital Projects Fund's fund balance increased by \$8,765,973 from 2016 to 2017 due to the issuance of \$8,800,000 of general obligation bonds.
- Capital assets, net of accumulated depreciation, increased by \$1,674,881 for 2017 and increased by \$943,874 for 2016. The increase for 2017 and 2016 was due to construction projects.
- Long-term debt increased by \$6,722,214 for 2017 and increased by \$29,907,828 for 2016. This increase for 2017 and 2016 was due primarily to the issuance of general obligation bonds. The liability for compensated absences decreased by \$2,407 for 2017 and decreased by \$28,911 for 2016.

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

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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 of resources, deferred inflows of resources, and liabilities with the differences 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, pension expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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.

Pension plan contributions affect the net pension liability reported on the government-wide financial statements, but are recorded as expenditures on the 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions 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* (CFR) 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.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. For the governmental activities of the district, the liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,263,137, and for the component unit of the district, the assets exceeded liabilities by \$1,375,978, as of June 30, 2017.

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, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	Governmental Activities		Percentage		Component Unit		Percentage
	2017	2016	Change		2017	2016	Change
Current assets	\$ 33,324,163	\$ 26,517,569	25.67 %	\$	535,806	\$ 672,422	(20.32) %
Restricted assets	29,209,496	33,395,901	(12.54) %		62,011	-	- %
Capital assets, net	69,383,955	67,798,530	2.34 %		842,289	752,833	11.88 %
Total assets	131,917,614	127,712,000	3.29 %		1,440,106	1,425,255	1.04 %
Total Deferred							
outflows of resources	19,488,726	15,778,360	23.52 %		-	-	- %
Current liabilities	1,139,498	3,717,194	(69.35) %		64,128	54,932	16.74 %
Long-term debt							
outstanding	55,133,518	48,411,304	13.89 %		-	-	- %
Net pension liability	108,711,157	94,974,124	14.46 %		-	-	- %
Total liabilities	164,984,173	147,102,622	12.16 %		64,128	54,932	16.74 %
Total Deferred							
inflows of resources	685,304	3,575,320	(80.83) %		-	-	- %
Net position:							
Net investment in							
capital assets	35,208,419	45,842,832	(23.20) %		842,289	752,833	11.88 %
Restricted	12,053,940	9,468,563	27.30 %		-	-	- %
Unrestricted	(61,525,496)	(62,498,977)	1.56 %		533,689	617,490	(13.57) %
Total net position	\$ (14,263,137)	\$ (7,187,582)	(98.44) %	\$	1,375,978	\$ 1,370,323	0.41 %

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Additional information on unrestricted net position:

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

	Governmental Activities	Component Unit
Total unrestricted net position (deficit)	\$ (61,525,496)	\$ 533,689
Effect of pension liability transactions:		
Net pension liability	108,711,157	-
Deferred outflows of resources from pension obligations	(19,464,176)	-
Deferred inflows of resources from pension obligations	685,304	-
Unrestricted net position exclusive of the net pension liability effect	<u>\$ 28,406,789</u>	<u>\$ 533,689</u>

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

- Increase in net capital assets in the amount of \$1,674,881 due to major construction projects.
- Increase in long-term debt outstanding of \$6,722,214 principally due to the issuance of \$11,000,000 general obligation bonds and three mill notes payable.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$80,380,957 and \$76,844,061, respectively. The total cost of all programs and services was \$87,494,671 for 2017 and \$80,543,086 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

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Management's Discussion and Analysis
For the Year Ended June 30, 2017

Table 2
Changes in Net Position

	Governmental Activities			Component Unit		
	Year Ended	Year Ended	Percentage	Year Ended	Year Ended	Percentage
	6/30/2017	6/30/2016	Change	6/30/2017	6/30/2016	Change
Revenues:						
Program revenues:						
Charges for services	\$ 1,141,602	\$ 1,112,597	2.61 %	\$ 580,950	\$ 661,970	(12.24) %
Operating grants and contributions	9,105,993	9,116,988	(0.12) %	-	-	- %
Capital grants and contributions	1,565,178	281,699	455.62 %	-	-	- %
General revenues:						
Property taxes	33,876,724	31,707,348	6.84 %	-	-	- %
Grants and contributions not restricted	33,445,458	33,497,524	(0.16) %	-	-	- %
Investment earnings	109,150	90,400	20.74 %	1,303	1,193	9.22 %
Other	551,552	361,795	52.45 %	3,047	12,547	(75.72) %
Total revenues	79,795,657	76,168,351	4.76 %	585,300	675,710	(13.38) %
Expenses:						
Instruction	34,303,315	35,540,186	(3.48) %	-	-	- %
Support services	34,431,784	30,878,576	11.51 %	-	-	- %
Non-instructional	3,444,894	3,289,797	4.71 %	-	-	- %
Pension expense	13,094,864	8,176,359	60.16 %	-	-	- %
Interest on long-term liabilities	1,550,713	2,034,075	(23.76) %	-	-	- %
Learning Foundation	-	-	- %	669,101	624,093	7.21 %
Total expenses	86,825,570	79,918,993	8.64 %	669,101	624,093	7.21 %
Extraordinary Items	-	25,408	(100.00) %	-	-	- %
Increase (Decrease) in net position	(7,029,913)	(3,725,234)	(88.71) %	(83,801)	51,617	(262.35) %
Net Position, July 1, as previously reported	(7,187,582)	(3,596,978)	(99.82) %	1,370,323	1,318,706	3.91 %
Prior Period Adjustment	(45,642)	134,630	(133.90) %	89,456	-	- %
Net Position, July 1, as restated	(7,233,224)	(3,462,348)	(108.91) %	1,459,779	1,318,706	10.70 %
Net Position, June 30	\$ (14,263,137)	\$ (7,187,582)	(98.44) %	\$ 1,375,978	\$ 1,370,323	0.41 %

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2017	2016	Change
Instruction	\$ 34,303,315	\$ 35,540,186	(3.48) %
Support services	34,431,784	30,878,576	11.51 %
Non-instructional	3,444,894	3,289,797	4.71 %
Pension expense	13,094,864	8,176,359	60.16 %
Interest on long-term liabilities	1,550,713	2,034,075	(23.76) %
Total expenses	\$ 86,825,570	\$ 79,918,993	8.64 %

	Net (Expense) Revenue		Percentage
	2017	2016	Change
Instruction	\$ (27,925,093)	\$ (30,414,171)	(8.18) %
Support services	(32,557,225)	(28,911,132)	12.61 %
Non-instructional	115,098	128,028	(10.10) %
Pension expense	(13,094,864)	(8,176,359)	60.16 %
Interest on long-term liabilities	(1,550,713)	(2,034,075)	(23.76) %
Total net (expense) revenue	\$ (75,012,797)	\$ (69,407,709)	(8.08) %

- Net cost of governmental activities (\$75,012,797 for 2017 and \$69,407,709 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$33,876,724 for 2017 and \$31,707,348 for 2016) and state and federal revenues (\$33,445,458 for 2016 and \$33,497,524 for 2016).
- Investment earnings amounted to \$109,150 for 2017 and \$90,400 for 2016.

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 \$62,082,110, an increase of \$4,841,965, which includes a prior period adjustment of \$2,140 and an increase in inventory of \$8,851. \$28,589,943 or 46% 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,

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committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$33,492,167 or 54% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$8,023,887, which includes a decrease in reserve for inventory of \$619. The fund balance of Other Governmental Funds showed a decrease in the amount of \$467,258, which includes a prior period adjustment of \$2,140 and an increase in reserve for inventory of \$9,470. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A 2016-2017 Fund	\$ no increase or decrease
Bond Issue 2015 Capital Projects Fund	\$ (11,480,638)
Bond Issue 2017 Capital Projects Fund	\$ 8,765,973

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$118,055,259, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$3,632,950 from 2016. Total accumulated depreciation as of June 30, 2017, was \$47,829,015, and total depreciation expense for the year was \$3,111,428, resulting in total net capital assets of \$70,226,244.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 4,122,182	\$ 4,122,182	- %
Construction in Progress	508,353	1,965,076	(74.13) %
Buildings	47,602,523	43,861,731	8.53 %
Building improvements	11,593,057	12,418,015	(6.64) %
Improvements other than buildings	2,159,395	2,199,193	(1.81) %
Mobile equipment	3,650,194	3,288,225	11.01 %
Furniture and equipment	590,540	696,941	(15.27) %
Total	\$ 70,226,244	\$ 68,551,363	2.44 %

Additional information on the District's capital assets can be found in Note 6 included in this report.

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Debt Administration. At June 30, 2017, the District had \$55,133,518 in outstanding long-term debt, of which \$3,025,000 is due within one year. The liability for compensated absences decreased \$2,407 from the prior year.

The District maintains an AA- bond rating.

Table 5
Outstanding Long-Term Debt

	June 30, 2017	June 30, 2016	Percentage Change
General obligation bonds payable	\$ 41,825,000	\$ 34,148,000	22.48 %
Unamortized premium	783,879	826,831	(5.19) %
Limited obligation bonds payable	-	764,000	(100.00) %
Three mill notes payable	1,615,000	1,715,000	(5.83) %
Obligations under energy efficiency leases	-	45,427	(100.00) %
Qualified school construction bonds payable	10,435,000	10,435,000	- %
Compensated absences payable	474,639	477,046	(0.50) %
Total	\$ 55,133,518	\$ 48,411,304	13.89 %

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

CURRENT ISSUES

The Tupelo Public School District is financially stable. The District is proud of its community support of the public schools.

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

The District actively pursues grant funding to supplement the local, state, and federal revenues.

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 Tupelo Public School District, P.O. Box 557, Tupelo, Mississippi, 38802.

FINANCIAL STATEMENTS

TUPELO PUBLIC SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	Primary Government Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
Assets			
Cash and cash equivalents	\$ 30,949,938	523,162	31,473,100
Due from other governments, net	2,096,927	-	2,096,927
Accrued interest receivable	14,889	-	14,889
Other receivables, net	39,305	12,644	51,949
Inventories	131,289	-	131,289
Prepaid items	91,815	-	91,815
Restricted assets	29,209,496	62,011	29,271,507
Capital assets, non-depreciable:			
Land	3,922,182	200,000	4,122,182
Construction in progress	508,353	-	508,353
Capital assets, net of accumulated depreciation:			
Buildings	46,960,523	642,000	47,602,523
Building improvements	11,593,057	-	11,593,057
Improvements other than buildings	2,159,395	-	2,159,395
Mobile equipment	3,650,194	-	3,650,194
Furniture and equipment	590,251	289	590,540
Total Assets	<u>131,917,614</u>	<u>1,440,106</u>	<u>133,357,720</u>
Deferred Outflows of Resources			
Deferred amount on refunding	24,550	-	24,550
Deferred outflows of resources related to pensions	19,464,176	-	19,464,176
Total Deferred Outflows of Resources	<u>19,488,726</u>	<u>-</u>	<u>19,488,726</u>
Liabilities			
Accounts payable and accrued liabilities	451,548	64,128	515,676
Interest payable on long-term liabilities	687,950	-	687,950
Long-term liabilities, due within one year:			
Capital related liabilities	3,025,000	-	3,025,000
Long-term liabilities, due beyond one year:			
Capital related liabilities	50,850,000	-	50,850,000
Capital related bond premiums	783,879	-	783,879
Non-capital related liabilities	474,639	-	474,639
Net pension liability	108,711,157	-	108,711,157
Total Liabilities	<u>164,984,173</u>	<u>64,128</u>	<u>165,048,301</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	685,304	-	685,304
Total Deferred Inflows of Resources	<u>685,304</u>	<u>-</u>	<u>685,304</u>
Net Position			
Net investment in capital assets	35,208,419	842,289	36,050,708
Restricted for:			
Expendable:			
School-based activities	475,716	-	475,716
Debt service	6,156,974	-	6,156,974
Capital improvements	5,275,558	-	5,275,558
Unemployment benefits	145,692	-	145,692
Unrestricted	(61,525,496)	533,689	(60,991,807)
Total Net Position	<u>\$ (14,263,137)</u>	<u>1,375,978</u>	<u>(12,887,159)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

TUPELO PUBLIC SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
Governmental Activities:							
Instruction	\$ 34,303,315	511,173	4,555,734	1,311,315	(27,925,093)	-	(27,925,093)
Support services	34,431,784	-	1,631,353	243,206	(32,557,225)	-	(32,557,225)
Non-instructional	3,444,894	630,429	2,918,906	10,657	115,098	-	115,098
Pension expense	13,094,864	-	-	-	(13,094,864)	-	(13,094,864)
Interest on long-term liabilities	1,550,713	-	-	-	(1,550,713)	-	(1,550,713)
Total Governmental Activities	<u>\$ 86,825,570</u>	<u>1,141,602</u>	<u>9,105,993</u>	<u>1,565,178</u>	<u>(75,012,797)</u>	<u>-</u>	<u>(75,012,797)</u>
Total Component Unit	<u>\$ 669,101</u>	<u>580,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,151)</u>	<u>(88,151)</u>
General Revenues:							
Taxes:							
General purpose levies					\$ 28,985,303		28,985,303
Debt purpose levies					4,891,421		4,891,421
Unrestricted grants and contributions:							
State					32,631,212		32,631,212
Federal					814,246		814,246
Unrestricted investment earnings					109,150	1,303	110,453
Other					551,552	3,047	554,599
Total General Revenues					<u>67,982,884</u>	<u>4,350</u>	<u>67,987,234</u>
Change in Net Position					<u>(7,029,913)</u>	<u>(83,801)</u>	<u>(7,113,714)</u>
Net Position - Beginning, as previously reported					<u>(7,187,582)</u>	<u>1,370,323</u>	<u>(5,817,259)</u>
Prior Period Adjustments					<u>(45,642)</u>	<u>89,456</u>	<u>43,814</u>
Net Position - Beginning, as restated					<u>(7,233,224)</u>	<u>1,459,779</u>	<u>(5,773,445)</u>
Net Position - Ending					<u>\$ (14,263,137)</u>	<u>\$ 1,375,978</u>	<u>(12,887,159)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

TUPELO PUBLIC SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I - A 2016-2017 Fund	Bond Issue 2015 Capital Projects Fund	Bond Issue 2017 Capital Projects Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 25,557,453	-	-	8,765,973	9,528,275	\$ 43,851,701
Cash with fiscal agents	-	-	8,715,768	-	1,529,474	10,245,242
Investments	-	-	4,988,690	-	1,073,800	6,062,490
Due from other governments	931,142	318,789	-	-	872,384	2,122,315
Allowance for doubtful accounts	-	-	-	-	(25,388)	(25,388)
Accrued interest receivable	-	-	11,997	-	2,892	14,889
Other receivables, net	39,305	-	-	-	-	39,305
Due from other funds	2,287,829	-	-	-	19,019	2,306,848
Inventories	19,370	-	-	-	111,919	131,289
Prepaid items	91,815	-	-	-	-	91,815
Total assets	<u>\$ 28,926,914</u>	<u>318,789</u>	<u>13,716,455</u>	<u>8,765,973</u>	<u>13,112,375</u>	<u>\$ 64,840,506</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 45,487	70	305,604	-	100,387	\$ 451,548
Due to other funds	-	318,719	1,569,970	-	418,159	2,306,848
Total Liabilities	<u>\$ 45,487</u>	<u>318,789</u>	<u>1,875,574</u>	<u>-</u>	<u>518,546</u>	<u>\$ 2,758,396</u>
Fund Balances:						
Nonspendable:						
Inventory	\$ 19,370	-	-	-	111,919	\$ 131,289
Prepaid items	91,815	-	-	-	-	91,815
Restricted:						
Debt service	-	-	-	-	6,844,924	6,844,924
Capital improvements	-	-	11,840,881	8,765,973	764,461	21,371,315
Unemployment benefits	-	-	-	-	145,692	145,692
Child nutrition	-	-	-	-	328,982	328,982
Other purposes	-	-	-	-	34,815	34,815
Committed:						
Capital improvements	-	-	-	-	4,363,036	4,363,036
Assigned:						
School activities	180,299	-	-	-	-	180,299
Unassigned	<u>28,589,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,589,943</u>
Total Fund Balances	<u>\$ 28,881,427</u>	<u>-</u>	<u>11,840,881</u>	<u>8,765,973</u>	<u>12,593,829</u>	<u>\$ 62,082,110</u>
Total Liabilities and Fund Balances	<u>\$ 28,926,914</u>	<u>318,789</u>	<u>13,716,455</u>	<u>8,765,973</u>	<u>13,112,375</u>	<u>\$ 64,840,506</u>

The accompanying notes to financial statements are an integral part of these financial statements.

TUPELO PUBLIC SCHOOL DISTRICT

Exhibit C-1

Governmental Funds

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

June 30, 2017

Total fund balances for governmental funds \$ 62,082,110

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

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

Land	\$ 3,922,182	
Construction in progress	508,353	
Buildings	73,454,973	
Building improvements	20,623,992	
Improvements other than buildings	3,581,611	
Mobile equipment	7,817,337	
Furniture and equipment	4,707,968	
Accumulated depreciation	(45,232,461)	69,383,955

2. In a transaction involving refunding of a bond issue, any difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized to interest expense over the life of the new debt.

Deferred amount on refunding	24,550
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3. 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	(108,711,157)
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Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions	19,464,176	
Deferred inflows of resources related to pensions	(685,304)	(89,932,285)

4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	\$ (41,825,000)	
Three mill notes payable	(1,615,000)	
Qualified school construction bonds	(10,435,000)	
Compensated absences	(474,638)	
Unamortized bond premiums	(783,879)	
Accrued interest payable	(687,950)	(55,821,467)

Net position of governmental activities	\$ (14,263,137)
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The accompanying notes to financial statements are an integral part of these financial statements.

TUPELO PUBLIC SCHOOL DISTRICT

Exhibit D

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For The Year Ended June 30, 2017

	Major Funds					Total Governmental Funds
	General Fund	Title I - A 2016-2017 Fund	Bond Issue 2015 Capital Projects Fund	Bond Issue 2017 Capital Projects Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 29,777,221	-	105,525	5,081	5,738,944	\$ 35,626,771
State sources	32,601,720	-	-	-	1,562,160	34,163,880
Federal sources	886,940	1,611,093	-	-	7,583,194	10,081,227
Total Revenues	\$ 63,265,881	1,611,093	105,525	5,081	14,884,298	\$ 79,871,878
Expenditures:						
Instruction	\$ 32,014,906	1,408,797	380,794	-	3,887,577	\$ 37,692,074
Support services	22,634,593	68,485	9,942,661	-	2,311,095	34,956,834
Noninstructional services	87,047	4,672	-	-	3,447,266	3,538,985
Facilities acquisition and construction	-	-	1,958,877	-	1,666,247	3,625,124
Debt service:						
Principal	-	-	-	-	4,232,427	4,232,427
Interest	-	-	-	-	1,865,746	1,865,746
Other	-	-	-	-	64,331	64,331
Total Expenditures	\$ 54,736,546	1,481,954	12,282,332	-	17,474,689	\$ 85,975,521
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 8,529,335	129,139	(12,176,807)	5,081	(2,590,391)	\$ (6,103,643)
Other Financing Sources (Uses):						
Proceeds of general obligation bonds	\$ -	-	-	8,800,000	1,100,000	\$ 9,900,000
Proceeds of loans	-	-	-	-	1,100,000	1,100,000
Payment held by QSCB escrow agent	-	-	-	-	488,549	488,549
Payment to QSCB bond escrow agent	-	-	-	-	(488,549)	(488,549)
Sale of transportation equipment	10,840	-	-	-	-	10,840
Operating transfers in	116,247	-	1,100,098	-	2,655,278	3,871,623
Operating transfers out	(631,916)	(129,139)	(327,706)	(39,108)	(2,743,754)	(3,871,623)
Other financing uses	-	-	(76,223)	-	-	(76,223)
Total Other Financing Sources (Uses)	\$ (504,829)	(129,139)	696,169	8,760,892	2,111,524	\$ 10,934,617
Net Change in Fund Balances	\$ 8,024,506	-	(11,480,638)	8,765,973	(478,867)	\$ 4,830,974
Fund Balances:						
July 1, 2016, as previously reported	\$ 20,857,540	-	23,321,519	-	13,061,086	\$ 57,240,145
Prior period adjustments	-	-	-	-	2,140	2,140
July 1, 2016, as restated	\$ 20,857,540	-	23,321,519	-	13,063,226	\$ 57,242,285
Increase (Decrease) in reserve for inventory	\$ (619)	-	-	-	9,470	\$ 8,851
June 30, 2017	\$ 28,881,427	-	11,840,881	8,765,973	12,593,829	\$ 62,082,110

The accompanying notes to financial statements are an integral part of these financial statements.

TUPELO PUBLIC SCHOOL DISTRICT

Exhibit D-1

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2017**

Net change in fund balances - total governmental funds **\$ 4,830,974**

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

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

Capital outlay	\$ 4,797,079	
Depreciation expense	<u>(3,111,428)</u>	1,685,651

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (52,444)

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

Bonds and notes issued	(11,000,000)	
Amortization of premiums on bonds issued	42,952	
Amortization of deferred refunding costs	(83,836)	
Payments of debt principal	<u>4,232,427</u>	(6,808,457)

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

Change in compensated absences	2,407	
Change in inventory reserve	8,851	
Change in accrued interest payable	355,919	
District pension contributions	6,042,050	
Pension expense	<u>(13,094,864)</u>	(6,685,637)

Change in net position of governmental activities	<u>\$ (7,029,913)</u>
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The accompanying notes to financial statements are an integral part of these financial statements.

TUPELO PUBLIC SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 159,819	\$ 2,087,084
Total Assets	<u>159,819</u>	<u>2,087,084</u>
Liabilities		
Accounts payable and accrued liabilities	-	2,033,856
Due to student clubs	-	53,228
Total Liabilities	<u>-</u>	<u>\$ 2,087,084</u>
Net Assets		
Reserved for endowments	125,000	
Held in trust	34,819	
Total Net Position	<u>\$ 159,819</u>	

The accompanying notes to financial statements are an integral part of these financial statements.

TUPELO PUBLIC SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
June 30, 2017

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest and dividends	\$ 321
Total Additions	<u>321</u>
Deductions	
Scholarships awarded	<u>2,100</u>
Total Deductions	<u>2,100</u>
Change in Net Position	(1,779)
Net Position	
July 1, 2016	<u>161,598</u>
June 30, 2017	<u><u>159,819</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

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 Tupelo 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, Tupelo 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.

Discretely Presented Component Unit

The Tupelo School District Learning Foundation (the Foundation) is incorporated in Mississippi as a non-profit organization exclusively for the educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive and maintain a contribution of an apartment complex and related assets and received primarily all of its income from rentals of the apartments. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

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. 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 of resources, deferred inflows of resources, and liabilities 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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. The general fund accounts for all financial resources of the district, except those required to be accounted for in another fund.

Title I-A 2016-2017 Fund – This is a special revenue fund that is used to account for transactions related to Part A of the Elementary and Secondary Education Act that provides assistance to local educational agencies and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state and academic standards.

Bond Issue 2015 Capital Projects Fund – This is a capital projects fund that is used to account for general obligation bond proceeds set aside for capital projects.

Bond Issue 2017 Capital Projects Fund – This is a capital projects fund that is used to account for general obligation bond proceeds set aside for capital projects.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Student Club Accounts – These funds are used to account for the transactions of student clubs.

L.D. Hancock Award Fund – This fund accounts for the monies set aside for annual awards to teachers.

Bouchillon and Mickey Linder Scholarship Funds – These funds account for monies set aside for scholarships for students.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Harden/CREATE for NBC Fund – This fund is used to account for monies set aside for teachers applying for National Board Certification.

Accounts Payable Clearing Fund – This fund is used to account for the district's claims payable and the payment of those claims.

Payroll Clearing Fund – This fund is used to account for salaries and related salaries expenditures payable and the payment of those payables.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

FIDUCIARY FUNDS

Private-purpose Trust Funds – Private-purpose Trust Funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Agency Funds – Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

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

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

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

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

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

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

d. Encumbrances

An encumbrance system is maintained to account for commitments 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, 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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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, as well as for its component units, 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.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital assets are reported in the applicable governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 6 for details.

7. Deferred outflows/inflows of resources

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

The District currently reports deferred charges related to the refunding of long-term debt as deferred outflows of resources. Those charges are amortized to interest expense in accordance with Governmental Accounting Standards.

The District also reports deferred pension outflows of resources. This is related to the implementation of GASB 68.

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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

The District also reports deferred pension inflows of resources. This is related to the implementation of GASB 68.

8. Compensated Absences

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

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

9. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 7 for details.

10. Pensions

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

11. 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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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 a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

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

f. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Cont'd)

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, discretely presented component units, and fiduciary funds was \$43,851,701, \$585,173, and \$2,246,903, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$52,329,433 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions in governmental funds was \$10,245,242.

Investments

As of June 30, 2017, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
US Treasury Notes	AAAm	1-8 years	\$ 6,062,490
			<u>\$ 6,062,490</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Cont'd)

The district has the following recurring fair value measurements as of June 30, 2017:

- US Treasury Notes of \$6,062,490 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2017, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A 2016-2017 Fund	\$ 318,719
General Fund	BI 2015 Capital Projects	1,569,970
General Fund	Other Governmental Funds	418,159
		<u>\$ 2,306,848</u>

The primary purpose of inter-fund loans was to cover federal funds not received prior to year-end.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 3 – Inter-fund Receivables, Payables and Transfers (Continued)

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 631,916
Title I-A 2016-2017 Fund	General Fund	42,210
Title I-A 2016-2017 Fund	Other Governmental Funds	86,929
BI 2015 Capital Projects	Other Governmental Funds	327,706
BI 2017 Capital Projects	Other Governmental Funds	39,108
Other Governmental Funds	General Fund	74,037
Other Governmental Funds	BI 2015 Capital Projects	1,100,098
Other Governmental Funds	Other Governmental Funds	1,569,619
		<u>\$ 3,871,623</u>

The principal purpose of inter-fund transfers was to provide funds to pay for debt service payments or to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

Note 4 – Restricted Assets

Restricted assets represent the legally restricted cash balances of the following funds which may not be used for purposes that support the District's programs.

Funds with Restricted Balances	Account	Amount
Bond Issue 2017 Capital Projects	Cash and Cash Equivalents	\$ 8,765,973
STN 2011 Retirement Fund	Cash and Cash Equivalents	339,820
STN 2005 Retirement Fund	Cash and Cash Equivalents	13,328
BI 1999 Retirement Fund	Cash and Cash Equivalents	3,354,429
QSCB Retirement Fund - 2010	Cash and Cash Equivalents	175,765
QSCB Retirement Fund - 2011	Cash and Cash Equivalents	235,392
QSCB Retirement Fund - 2013	Cash and Cash Equivalents	17,057
Component Unit	Cash and Cash Equivalents	62,011
Total Restricted Cash and Cash Equivalents		<u>12,963,775</u>
Bond Issue 2015 Capital Projects	Cash with Fiscal Agents	8,715,767
QSCB Retirement Fund - 2010	Cash with Fiscal Agents	996,593
QSCB Retirement Fund - 2011	Cash with Fiscal Agents	12,639
QSCB Retirement Fund - 2013	Cash with Fiscal Agents	520,243
Total Restricted Cash with Fiscal Agents		<u>10,245,242</u>
Bond Issue 2015 Capital Projects	Investments	4,988,690
QSCB Retirement Fund - 2011		1,073,800
Total Restricted Investments		<u>6,062,490</u>
Total Restricted Assets		<u>\$ 29,271,507</u>

\$20,458,793 of the restricted assets total are unspent bond proceeds for the use of capital improvements.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 5 – Other Receivables

Other receivables for the component unit include amounts due from tenants under rental agreements. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible.

The following is a summary of other receivables, net of allowance for uncollectible accounts:

	Amount
Governmental activities	
Laptop funds due to school	\$ 271,819
Less: Allowance for uncollectible amounts	(232,514)
Total Other Receivables, Net - Governmental Activities	<u>\$ 39,305</u>
Component Unit:	
Learning Foundation:	
Due from tenants	\$ 411,965
Less: Allowance for uncollectible accounts	(399,321)
Total Other Receivables, Net - Component Unit	<u>\$ 12,644</u>
Total Other Receivables, Net - Total Reporting Entity	<u><u>\$ 51,949</u></u>

Note 6 – Capital Assets

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

	Balance 7/1/2016	Prior Period Adjustment	Increases	Decreases	Balance 6/30/2017
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 3,922,182	-	-	-	\$ 3,922,182
Constuction in progress	1,965,076	-	3,565,722	5,022,445	508,353
Total non-depreciable capital assets	<u>5,887,258</u>	<u>-</u>	<u>3,565,722</u>	<u>5,022,445</u>	<u>4,430,535</u>
<u>Depreciable capital assets:</u>					
Buildings	68,432,529	-	5,022,445	-	73,454,974
Building improvements	20,623,992	-	-	-	20,623,992
Improvements other than buildings	3,507,893	-	73,718	-	3,581,611
Mobile equipment	7,351,377	-	910,151	444,191	7,817,337
Furniture and equipment	5,180,417	1	247,487	719,937	4,707,968
Total depreciable capital assets	<u>105,096,208</u>	<u>1</u>	<u>6,253,801</u>	<u>1,164,128</u>	<u>110,185,882</u>
<u>Less accumulated depreciation for:</u>					
Buildings	25,123,631	2	1,370,818	-	26,494,451
Building improvements	8,205,977	(2)	824,960	-	9,030,935
Improvements other than buildings	1,308,700	-	113,516	-	1,422,216
Mobile equipment	4,063,152	-	503,763	399,772	4,167,143
Furniture and equipment	4,483,476	47,784	298,371	711,914	4,117,717
Total accumulated depreciation	<u>43,184,936</u>	<u>47,784</u>	<u>3,111,428</u>	<u>1,111,686</u>	<u>45,232,462</u>
Total depreciable capital assets, net	<u>61,911,272</u>	<u>(47,783)</u>	<u>3,142,373</u>	<u>52,442</u>	<u>64,953,420</u>
Governmental activities capital assets, net	<u><u>\$ 67,798,530</u></u>	<u><u>(47,783)</u></u>	<u><u>6,708,095</u></u>	<u><u>5,074,887</u></u>	<u><u>\$ 69,383,955</u></u>

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6 – Capital Assets (Continued)

The following is a summary of changes in capital assets for the discretely presented component unit:

Component Unit:	Balance 7/1/2016	Prior Period Adjustment	Increases	Decreases	Balance 6/30/2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 200,000	-	-	-	\$ 200,000
Total non-depreciable capital assets	200,000	-	-	-	200,000
<u>Depreciable capital assets:</u>					
Buildings	3,210,000	-	-	-	3,210,000
Furniture and equipment	28,843	-	-	-	28,843
Total depreciable capital assets	3,238,843	-	-	-	3,238,843
<u>Less accumulated depreciation for:</u>					
Buildings	2,657,167	(89,167)	-	-	2,568,000
Furniture and equipment	28,843	(289)	-	-	28,554
Total accumulated depreciation	2,686,010	(89,456)	-	-	2,596,554
Total depreciable capital assets, net	552,833	89,456	-	-	642,289
Governmental activities capital assets, net	\$ 752,833	89,456	-	-	\$ 842,289

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 703,430
Support services	2,392,604
Non-instructional	15,394
Total depreciation expense-governmental activities	\$ 3,111,428
Component Unit:	
Learning Foundation	\$ -
Total depreciation expense-component unit	\$ -

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement costs multiplied by the consumer price index implicit price deflator for the year of acquisition.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6 – Capital Assets (Continued)

Commitments under construction contracts at June 30, 2017 are summarized as follows:

Governmental Activities:	Spent to June 30, 2017	Remaining Commitment
Carver Safe Shelter	\$ 130,293	\$ 570,759
Tupelo High School Safe Shelter	378,060	6,636,286
Total governmental activities	<u>\$ 508,353</u>	<u>\$ 7,207,045</u>

Construction projects included in governmental activities are funded with General Obligation bond proceeds and FEMA grants.

Note 7 – Long-term Liabilities

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

Description	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
a. General obligation bonds payable	\$ 34,148,000	9,900,000	2,223,000	41,825,000	2,750,000
b. Limited obligations bonds payable	764,000	-	764,000	-	-
c. Three mill notes payable	1,715,000	1,100,000	1,200,000	1,615,000	275,000
d. Obligations under energy efficiency leases	45,427	-	45,427	-	-
e. Qualified school construction bonds	10,435,000	-	-	10,435,000	-
f. Compensated absences payable	477,046	-	2,407	474,639	-
Total	<u>47,584,473</u>	<u>11,000,000</u>	<u>4,234,834</u>	<u>54,349,639</u>	<u>3,025,000</u>
Premiums	826,831	-	42,952	783,879	-
Total	<u>\$ 48,411,304</u>	<u>11,000,000</u>	<u>4,277,785</u>	<u>55,133,518</u>	<u>3,025,000</u>

a. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2015	3.00-3.50%	9/1/2015	9/1/2035	34,100,000	31,925,000
2. General obligation bonds, Series 2016	0.875%	9/15/2016	9/1/2017	1,100,000	1,100,000
3. General obligation bonds, Series 2017	1.90-2.125%	3/15/2017	3/15/2028	8,800,000	8,800,000
Total				<u>\$ 44,000,000</u>	<u>\$ 41,825,000</u>

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 – Long-term Liabilities (Continued)

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

1. General obligation bonds, Series 2015

Year Ending June 30	Principal	Interest	Total
2018	\$ 900,000	1,032,600	1,932,600
2019	825,000	1,006,725	1,831,725
2020	850,000	981,600	1,831,600
2021	910,000	955,200	1,865,200
2022	1,425,000	920,175	2,345,175
2023-2027	7,350,000	3,883,875	11,233,875
2028-2032	9,085,000	2,505,753	11,590,753
2033-2036	10,580,000	630,178	11,210,178
Total	\$ 31,925,000	11,916,106	43,841,106

This debt will be retired from the BI Retirement Fund.

2. General obligation bonds, Series 2016

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,100,000	9,251	1,109,251
Total	\$ 1,100,000	9,251	1,109,251

This debt will be retired from the BI Retirement Fund.

3. General obligation bonds, Series 2017

Year Ending June 30	Principal	Interest	Total
2018	\$ 750,000	176,940	926,940
2019	950,000	162,690	1,112,690
2020	960,000	144,640	1,104,640
2021	510,000	126,400	636,400
2022	600,000	116,200	716,200
2023-2027	4,150,000	374,181	4,524,181
2028-2032	880,000	18,700	898,700
Total	\$ 8,800,000	1,119,751	9,919,751

This debt will be retired from the BI Retirement Fund.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 – Long-term Liabilities (Continued)

Total general obligation bonds:

Year Ending June 30	Principal	Interest	Total
2018	\$ 2,750,000	1,218,791	3,968,791
2019	1,775,000	1,169,415	2,944,415
2020	1,810,000	1,126,240	2,936,240
2021	1,420,000	1,081,600	2,501,600
2022	2,025,000	1,036,375	3,061,375
2023-2027	11,500,000	4,258,056	15,758,056
2028-2032	9,965,000	2,524,453	12,489,453
2033-2036	10,580,000	630,178	11,210,178
Total	\$ <u>41,825,000</u>	<u>13,045,108</u>	<u>54,870,108</u>

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, 2017, the amount of outstanding bonded indebtedness was equal to 7.38% of property assessments as of October 1, 2016.

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 2011	3.04%	5/19/2011	9/1/2020	\$ 2,275,000	1,615,000
Total				\$ <u>2,275,000</u>	<u>1,615,000</u>

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 – Long-term Liabilities (Continued)

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

1. Limited tax note, Series 2011

Year Ending June 30	Principal	Interest	Total
2018	\$ 275,000	44,916	319,916
2019	525,000	32,756	557,756
2020	475,000	17,556	492,556
2021	340,000	5,168	345,168
Total	<u>\$ 1,615,000</u>	<u>100,396</u>	<u>1,715,396</u>

This debt will be retired from the STN 2011 Retirement Fund.

c. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds payable, Series 2010	0.84%	1/14/2010	9/15/2024	\$ 3,000,000	\$ 3,000,000
2. Qualified school construction bonds payable, Series 2011	4.60%	12/20/2011	12/1/2025	3,000,000	3,000,000
3. Qualified school construction bonds payable, Series 2013	0.00%	7/9/2013	6/15/2028	4,435,000	4,435,000
Total				<u>\$ 10,435,000</u>	<u>\$ 10,435,000</u>

The Qualified School Construction Bond (QSCB) issued 1/14/2010, was issued at a nominal interest rate. Investors receive federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows the state and local governments to borrow without incurring interest costs.

The QSCB issued 7/9/2013 was issued at a 0.00% interest rate under the aforementioned tax credit provision.

The QSCB issued 12/20/2011, was issued at an interest rate of 4.60% with anticipated refundable credit payments for the amount of interest cost from the Internal Revenue Service. It is possible the Internal Revenue Service may determine some reason not to reimburse some or all of the interest cost of the 12/20/2011 bond. The school district is responsible for the full amount of the interest payment in any events.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 – Long-term Liabilities (Continued)

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

1. Qualified school construction bonds payable, Series 2010

Year Ending June 30	Principal	Interest	Total
2018	\$ -	25,200	25,200
2019	-	25,200	25,200
2020	-	25,200	25,200
2021	-	25,200	25,200
2022	-	25,200	25,200
2023-2024	3,000,000 *	75,600	3,075,600
Total	\$ 3,000,000	201,600	3,201,600

* Payable from sinking fund, see Note 14.

2. Qualified school construction bonds payable, Series 2011

Year Ending June 30	Principal	Interest	Total
2018	\$ -	138,000	138,000
2019	-	138,000	138,000
2020	-	138,000	138,000
2021	-	138,000	138,000
2022	-	138,000	138,000
2023-2026	3,000,000 *	552,000	3,552,000
Total	\$ 3,000,000	1,242,000	4,242,000

* Payable from sinking fund, see Note 14.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 – Long-term Liabilities (Continued)

3. Qualified school construction bonds payable, Series 2013

Year Ending June 30	Principal	Interest	Total
2018	\$ -	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023-2027	-	-	-
2028	4,435,000 *	-	4,435,000
Total	\$ 4,435,000	-	4,435,000

* Payable from sinking fund, see Note 14.

Total qualified school construction bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ -	163,200	163,200
2019	-	163,200	163,200
2020	-	163,200	163,200
2021	-	163,200	163,200
2022	-	163,200	163,200
2023-2027	6,000,000 *	627,600	6,627,600
2028-2032	4,435,000 *	-	4,435,000
Total	\$ 10,435,000	1,443,600	11,878,600

* Payable from sinking fund, see Note 14.

d. Compensated absences payable

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

Note 8 – Prior Year Defeasance of Debt

In prior years, the Tupelo Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2017, \$1,000,000 of bonds outstanding are defeased.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 9 – Other Commitments

Commitments under construction contracts are described in Note 6.

Operating Leases

The school district has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2017 amounted to \$180,477. Future minimum lease payments for these copier leases are as follows:

Year Ending June 30	Amount
2018	\$ 234,000
2019	234,000
2020	234,000
2021	234,000
Total	<u>\$ 936,000</u>

Note 10 – Defined Benefit 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 may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 10 – Defined Benefit Pension Plan (Continued)

percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016, 2015, and 2014 were \$6,042,050, \$6,132,438, \$6,045,883, and \$6,000,405, 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, 2017, the school district reported a liability of \$108,711,157 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 0.6086 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.0058 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$13,094,864. At June 30, 2017, 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	\$ 3,048,873	\$
Net difference between projected and actual earnings on pension plan investments	6,335,055	
Changes of assumptions	3,782,935	288,880
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	255,263	396,424
Entity's contributions subsequent to the measurement date	6,042,050	
Total	\$ 19,464,176	\$ 685,304

\$6,042,050 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, 2018. Other amounts reported as deferred outflows of resources and

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 10 – Defined Benefit Pension Plan (Continued)

deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2018	5,113,480
2019	4,412,380
2020	3,210,962
2021	-
Total	<u>12,736,822</u>

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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 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>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 10 – Defined Benefit Pension Plan (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	\$ 139,392,076	\$ 108,711,157	\$ 83,255,938

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 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Governmental activities:	
To correct beginning restricted assets	\$ 2,140
To correct beginning accumulated depreciation	(47,782)
Total Governmental activities	<u>\$ (45,642)</u>
Component Unit:	
To correct beginning accumulated depreciation	89,456
Total prior period adjustment	<u>\$ 43,814</u>

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 11 – Prior Period Adjustments (Continued)

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

Fund	Explanation	Amount
Other governmental funds	To correct beginning cash with fiscal agents	\$ 2,140
	Total prior period adjustment	\$ 2,140

Note 12 – Contingencies

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

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

Note 13 – Risk Management

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

Note 14 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The district received \$128,478 of subsidy payments during the June 30, 2017 fiscal year.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 14 – Qualified School Construction Bonds (Continued)

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, 2017 was \$1,529,475. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2018	\$ 989,000
2019	854,000
2020	854,000
2021	855,000
2022	855,000
2023-2027	3,143,000
2028	300,000
Total	<u>\$ 7,850,000</u>

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(61,524,496) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions and refunding of bond premiums. The \$19,488,726 balance of the deferred outflow of resources at June 30, 2017 will be recognized as expenses and decrease unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(61,524,496) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$685,304 balance of the deferred inflow of resources at June 30, 2017 will be recognized as revenue and increase unrestricted net position over the next 2.48 years.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 16 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tupelo Public School District evaluated the activity of the District through January 8, 2018, (the date the financial statements were available to be issued), and determined no subsequent events have occurred that would require disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TUPELO PUBLIC SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 28,823,175	\$ 29,025,827	\$ 29,777,221	\$ 202,652	\$ 751,394
State sources	32,864,680	32,662,552	32,601,720	(202,128)	(60,832)
Federal sources	875,309	883,706	886,940	8,397	3,234
Total Revenues	62,563,164	62,572,085	63,265,881	8,921	693,796
Expenditures:					
Instruction	37,237,878	32,523,788	32,014,906	4,714,090	508,882
Support services	24,926,940	24,881,150	22,634,593	45,790	2,246,557
Noninstructional services	55,181	89,474	87,047	(34,293)	2,427
Total Expenditures	62,219,999	57,494,412	54,736,546	4,725,587	2,757,866
Excess (Deficiency) of Revenues over (under) Expenditures	343,165	5,077,673	8,529,335	4,734,508	3,451,662
Other Financing Sources (Uses):					
Sale of transportation equipment	-	-	10,840	-	10,840
Operating transfers in	2,364,825	2,036,188	116,247	(328,637)	(1,919,941)
Operating transfers out	(2,855,965)	(2,555,385)	(631,916)	300,580	1,923,469
Total Other Financing Sources (Uses)	(491,140)	(519,197)	(504,829)	(28,057)	14,368
Net Change in Fund Balances	(147,975)	4,558,476	8,024,506	4,706,451	3,466,030
Fund Balances:					
July 1, 2016, as previously reported	18,592,545	20,857,540	20,857,540	2,264,995	-
Increase (Decrease) in reserve for inventory	-	(619)	(619)	(619)	-
June 30, 2017	\$ 18,444,570	\$ 25,415,397	\$ 28,881,427	\$ 6,970,827	\$ 3,466,030

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

TUPELO PUBLIC SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Title I-A 2016-2017 Fund
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	-	2,254,656	1,611,093	2,254,656	(643,563)
Total Revenues	-	2,254,656	1,611,093	2,254,656	(643,563)
Expenditures:					
Instruction	-	1,866,840	1,408,797	1,866,840	458,043
Support services	-	155,713	68,485	155,713	87,228
Noninstructional services	-	22,547	4,672	22,547	17,875
Total Expenditures	-	2,045,100	1,481,954	2,045,100	563,146
Excess (Deficiency) of Revenues over (under) Expenditures	-	209,556	129,139	209,556	(80,417)
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(209,556)	(129,139)	(209,556)	80,417
Total Other Financing Sources (Uses)	-	(209,556)	(129,139)	(209,556)	80,417
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.6086%	0.6144%	0.6235%
District's proportionate share of the net pension liability (asset)	\$ 108,711,157	94,974,124	75,678,935
District's covered payroll	\$ 38,936,119	38,386,820	38,097,852
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.20%	247.41%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	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.

TUPELO PUBLIC SCHOOL DISTRICT
Required Supplementary Information
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required obligation	\$ 6,042,050	\$ 6,132,438	6,045,883
Contribution in relation to the contractually required contribution	6,042,050	6,132,438	6,045,883
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	38,362,224	38,936,119	38,386,820
Contributions as a percentage of its covered payroll	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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedules present 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%.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

(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 1.00% and a maximum rate of 5.00%.

SUPPLEMENTARY INFORMATION

TUPELO PUBLIC SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Specialty Crop - Farm Bill	10.170	1,324
Child Nutrition cluster:		
School Breakfast Program	10.553	\$ 746,849
National School Lunch Program	10.555	2,212,611
Summer Food Program	10.559	135,611
Total Child Nutrition cluster		<u>3,095,071</u>
Child and Adult Care Food Program	10.558	<u>3,868</u>
Total passed-through Mississippi Department of Education		<u>3,100,263</u>
Total U.S. Department of Agriculture		<u>3,100,263</u>
<u>U.S. Department of the Interior</u>		
Passed-through the National Environmental Education and Training Foundation:		
Youth Engagement, Education, and Employment	15.676	<u>4,000</u>
Total U.S. Department of the Interior		<u>4,000</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	<u>583,701</u>
Total Federal Communications Commission		<u>583,701</u>
<u>National Endowment for the Arts</u>		
Passed-through Mississippi Arts Commission:		
Promotion of the Arts - Partnership Agreements	45.025	<u>725</u>
Total National Endowment for the Arts		<u>725</u>
<u>Environmental Protection Agency</u>		
Passed-through Mississippi Department of Environmental Quality:		
State Clean Diesel	66.040	<u>15,000</u>
Total Environmental Protection Agency		<u>15,000</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	2,505,255
Career and Technical Education - Basic Grants to States	84.048	85,482
Education for Homeless Children and Youth	84.196	25,920
English Language Acquisition Grants	84.365	73,780
Supporting Effective Instruction State Grants	84.367	284,575
Subtotal		<u>2,975,012</u>
Special Education cluster:		
Special Education - Grants to States	84.027	1,660,847
Special Education - Preschool Grants	84.173	81,936
Total Special Education cluster		<u>1,742,783</u>
Total passed-through Mississippi Department of Education		<u>4,717,795</u>
Total U.S. Department of Education		<u>4,717,795</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health:		
Medical Assistance Program	93.778	19,703
Assistance Programs for Chronic Disease Prevention and Control	93.945	12,000
Total passed-through Mississippi Department of Health		<u>31,703</u>
Total U.S. Department of Health and Human Services		<u>31,703</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency		
Hazard Mitigation Grant	97.039	1,231,028
Total U.S. Department of Homeland Security		<u>1,231,028</u>
Total for All Federal Awards		<u><u>\$ 9,684,215</u></u>

The notes to the Supplementary Information are an integral part of this schedule.

TUPELO PUBLIC SCHOOL DISTRICT
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For The Year Ended June 30, 2017

<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	\$ 52,035,506	40,616,719	2,223,917	3,353,708	5,841,163
Other	33,940,015	5,648,748	617,246	60,094	27,613,926
Total	<u>\$ 85,975,521</u>	<u>46,265,467</u>	<u>2,841,163</u>	<u>3,413,801</u>	<u>33,455,089</u>
Total number of students *	<u>6,034</u>				
Cost per student	<u>\$ 14,248</u>	<u>7,667</u>	<u>471</u>	<u>566</u>	<u>5,544</u>

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

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

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

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Tupelo Public School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Tupelo Public School District it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Tupelo Public School District.

(2) Summary of Significant Accounting Policies

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

(3) Noncash Awards - Commodities

The amount of commodities reported on the Schedule of Expenditures of Federal Awards is the value of commodities received by the district and reported under the National School Lunch Program CFDA #10.555. The value of the commodities received during the fiscal year was \$225,256.

(4) Indirect Cost Rate

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

OTHER INFORMATION

TUPELO PUBLIC SCHOOL DISTRICT**Other Information****Statement of Revenues, Expenditures and Changes in Fund Balances****General Fund****Last Four Years****UNAUDITED**

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 29,777,221	27,791,500	27,804,017	27,208,271
State sources	32,601,720	32,574,680	31,941,656	30,713,840
Federal sources	886,940	898,739	537,585	526,861
Total Revenues	63,265,881	61,264,919	60,283,258	58,448,972
Expenditures:				
Instruction	32,014,906	32,395,649	33,272,428	32,425,430
Support services	22,634,593	22,175,320	22,248,185	22,271,181
Noninstructional services	87,047	125,668	218,676	204,940
Total Expenditures	54,736,546	54,696,637	55,739,289	54,901,551
Excess (Deficiency) of Revenues over (under) Expenditures	8,529,335	6,568,282	4,543,969	3,547,421
Other Financing Sources (Uses):				
Insurance recovery	-	25,408	-	23,603
Sale of transportation equipment	10,840	9,253	4,492	-
Operating transfers in	116,247	258,870	205,333	1,179,991
Operating transfers out	(631,916)	(878,787)	(1,728,254)	(2,827,678)
Other financing uses	-	-	-	-
Total Other Financing Sources (Uses)	(504,829)	(585,256)	(1,518,429)	(1,624,084)
Net Change in Fund Balances	8,024,506	5,983,026	3,025,540	1,923,337
Fund Balances:				
Beginning of period, as previously reported	20,857,540	14,745,813	11,827,685	9,925,491
Prior period adjustments	-	134,630	(102,674)	(14,490)
Beginning of period, as restated	20,857,540	14,880,443	11,725,011	9,911,001
Increase (Decrease) in reserve for inventory	(619)	(5,929)	(4,738)	(6,653)
End of Period	\$ 28,881,427	\$ 20,857,540	\$ 14,745,813	\$ 11,827,685

*SOURCE - PRIOR YEAR AUDIT REPORTS

TUPELO PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 35,626,771	\$ 33,262,889	\$ 33,593,144	\$ 33,330,469
State sources	34,163,880	34,158,965	33,060,254	32,320,034
Federal sources	10,081,227	8,737,244	7,828,083	7,691,757
Total Revenues	79,871,878	76,159,098	74,481,481	73,342,260
Expenditures:				
Instruction	37,692,074	38,887,967	38,252,401	38,291,956
Support services	34,956,834	32,609,842	25,083,642	27,738,340
Noninstructional services	3,538,985	3,523,983	3,689,574	3,774,693
Facilities acquisition and construction	3,625,124	1,879,402	3,326,494	823,147
Debt service:				
Principal	4,232,427	4,116,606	4,394,618	4,943,942
Interest	1,865,746	303,965	470,317	512,086
Other	64,331	833,182	13,221	62,746
Total Expenditures	85,975,521	82,154,947	75,230,267	76,146,910
Excess (Deficiency) of Revenues over (under) Expenditures	(6,103,643)	(5,995,849)	(748,786)	(2,804,650)
Other Financing Sources (Uses):				
Proceeds of general obligation bonds	9,900,000	34,100,000	306,000	4,435,000
Proceeds of loans	1,100,000			
Premium on bond issuance	-	859,045	-	-
Insurance recoveries	-	25,408	-	23,603
Sale of transportation equipment	10,840	9,253	4,492	-
Payment held by QSCB escrow agent	488,549	474,849	-	-
Payment to QSCB bond escrow agent	(488,549)	(474,849)	-	-
Operating transfers in	3,871,623	4,354,792	3,551,564	4,388,384
Operating transfers out	(3,871,623)	(4,354,792)	(3,551,564)	(4,388,384)
Other financing uses	(76,223)	-	-	-
Total Other Financing Sources (Uses)	10,934,617	34,993,706	310,492	4,458,603
Extraordinary items	-	-	486,085	3,356,198
Net Change in Fund Balances	4,830,974	28,997,857	47,791	5,010,151
Fund Balances:				
Beginning of period, as previously reported	57,240,145	28,127,246	28,212,948	23,192,806
Prior period adjustments	2,140	134,630	(103,734)	(14,490)
Beginning of period, as restated	57,242,285	28,261,876	28,109,214	23,178,316
Increase (Decrease) in reserve for inventory	8,851	(19,588)	(29,759)	24,481
End of Period	\$ 62,082,110	\$ 57,240,145	\$ 28,127,246	\$ 28,212,948

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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

Superintendent and School Board
Tupelo Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Tupelo Public School District, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Tupelo Public School District's basic financial statements, and have issued our report thereon dated January 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Okolona, Mississippi
January 8, 2018

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Thomas J. Browder, CPA
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Superintendent and School Board
Tupelo Public School District

Report on Compliance for Each Major Federal Program

We have audited the Tupelo Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Tupelo Public School District's major federal programs for the year ended June 30, 2017. The Tupelo Public School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Tupelo Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tupelo Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Tupelo Public School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Tupelo Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Tupelo Public School District's internal control over compliance with

the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tupelo Public School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Okolona, Mississippi
January 8, 2018

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2017, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated January 8, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure 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 procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

Finding

Under the reemployment provisions of Section 25-11-127, Miss. Code of 1972, as amended, PERS Form 4B must be filed in the PERS office within five (5) days from the date of reemployment. During the testing of retired personnel, it was noted that the PERS Form 4B was not filed within five (5) days from the date of reemployment for multiple employees.

Recommendation

PERS Form 4B must be completed by the PERS service retiree and the appointing authority of the PERS covered agency employing such service retiree with the PERS office within five (5) days from the date of reemployment and within five (5) days from the termination of such reemployment.

Response

The Human Resources Director stated that in the future care will be taken to ensure that PERS Form 4B is filed in the PERS office within five (5) days of reemployment of a PERS service retiree.

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 Tupelo Public School District's response to the finding included in this report was not audited and, accordingly, we 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, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Okolona, Mississippi
January 8, 2018

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TUPELO PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section 1: 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 financial statements noted? | 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 federal programs: | Unmodified | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No | | | | | | |
| 7. | Identification of major programs: | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> <tr> <td>10.553, 10.555, 10.559</td> <td>Child nutrition cluster</td> </tr> <tr> <td>97.039</td> <td>Hazard Mitigation Grant</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.553, 10.555, 10.559 | Child nutrition cluster | 97.039 | Hazard Mitigation Grant | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | |
| 10.553, 10.555, 10.559 | Child nutrition cluster | | | | | | | |
| 97.039 | Hazard Mitigation Grant | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 9. | Auditee qualified as a low-risk auditee? | Yes | | | | | | |

TUPELO PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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