



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



**TUPELO PUBLIC SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**TUPELO PUBLIC SCHOOL DISTRICT  
TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR’S REPORT   | 4           |
| MANAGEMENT’S DISCUSSION AND ANALYSIS   | 8           |
| BASIC FINANCIAL STATEMENTS   | 19          |
| Government-wide Financial Statements   |             |
| Statement of Net Position  | 20          |
| Statement of Activities  | 21          |
| Governmental Funds Financial Statements  |             |
| Balance Sheet  | 22          |
| Reconciliation of the Governmental Funds<br>Balance Sheet to the Statement of Net Position   | 23          |
| Statement of Revenues, Expenditures and Changes in Fund Balances   | 24          |
| Reconciliation of the Governmental Funds Statement of<br>Revenues, Expenditures and Changes in Fund Balances<br>to the Statement of Activities | 25          |
| Fiduciary Funds Financial Statements   |             |
| Statement of Fiduciary Net Position  | 26          |
| Statement of Changes in Fiduciary Net Position   | 27          |
| Notes to the Financial Statements  | 28          |
| REQUIRED SUPPLEMENTARY INFORMATION   | 60          |
| Budgetary Comparison Schedule – General Fund   | 61          |
| Budgetary Comparison Schedule – Title I-A 2014-2015 Fund   | 62          |
| Budgetary Comparison Schedule – IDEA Part B Fund   | 63          |
| Schedule of the District’s Proportionate Share of the Net Pension Liability  | 64          |
| Schedule of District Contributions   | 65          |
| Notes to the Required Supplementary Information  | 66          |

**TUPELO PUBLIC SCHOOL DISTRICT  
TABLE OF CONTENTS (CONTINUED)**

|  | <u>Page</u> |
|--|-------------|
| SUPPLEMENTARY INFORMATION  | 67          |
| Schedule of Expenditures of Federal Awards   | 68          |
| Schedule of Instructional, Administrative<br>and Other Expenditures – Governmental Funds   | 70          |
| OTHER INFORMATION  | 71          |
| Statement of Revenues, Expenditures and Changes in Fund Balances –<br>General Fund, Last Four Years  | 72          |
| Statement of Revenues, Expenditures and Changes in Fund Balances –<br>All Governmental Funds, Last Four Years  | 73          |
| REPORTS ON INTERNAL CONTROL AND COMPLIANCE   | 74          |
| Independent Auditor’s Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with Government Auditing Standards | 75          |
| Independent Auditor’s Report on Compliance for Each Major Federal<br>Program and Report on Internal Control Over Compliance Required by<br>OMB Circular A-133  | 77          |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE<br>WITH STATE LAWS AND REGULATIONS  | 79          |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS  | 81          |
| SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS   | 84          |

**INDEPENDENT AUDITOR'S REPORT**

**J.E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET  
POST OFFICE BOX 1280  
TUPELO, MISSISSIPPI 38802

(662) 842-2123  
FACSIMILE (662) 841-6809  
E-MAIL: jev@jevance.com

**INDEPENDENT AUDITOR'S 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, 2015, and the related notes to the financial statements, which collectively comprise the Tupelo Public School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District, as of June 30, 2015, and the respective changes in financial position 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 8-18, 61-63, 64, and 65, 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 November 15, 2015, 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.

Tupelo, MS  
November 15, 2015

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TUPELO PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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 2015 decreased \$75,042,772, including prior period adjustments of (\$81,477,509), which represents a 103% decrease from fiscal year 2014. Total net position for 2014 increased \$4,371,377, including prior period adjustments of (\$231,142), which represents a 6% increase from fiscal year 2013. The decrease for 2015 is due primarily to the implementation of GASB statement No. 68, "Accounting and Financial Reporting for Pensions", and GASB statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

General revenues amounted to \$64,140,906 and \$62,846,561, or 85% and 85% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,003,764, or 15% of total revenues for 2015, and \$11,169,212, or 15% of total revenues for 2014.

The District had \$69,196,018 and \$72,842,750 in expenses for fiscal years 2015 and 2014; only \$11,003,764 for 2015 and \$11,169,212 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$64,140,906 for 2015 and \$62,846,561 for 2014 were adequate to provide for these programs.

Among major funds, the General Fund had \$60,283,258 in revenues and \$55,739,289 in expenditures for 2015, and \$58,448,972 in revenues and \$54,901,551 in expenditures in 2014. The General Fund's fund balance increased by \$2,918,128, including prior period adjustments of (\$102,674) and a decrease in inventory reserve of \$4,738, from 2014 to 2015, and increased by \$1,902,194, including prior period adjustments of (\$14,490) and a decrease in inventory reserve of \$6,653, from 2013 to 2014.

Among major funds, the Title I-A 2014-2015 Fund had \$1,349,766 in revenues and \$1,249,918 in expenditures for 2015. The Title I-A 2014-2015 Fund's fund balance did not change from 2014 to 2015.

Among major funds, IDEA Part B Fund had \$1,519,649 in revenues and \$1,502,686 in expenditures for 2015. The IDEA Part B Fund's fund balance did not change from 2014 to 2015.

Among major funds, the District Construction Reserve Fund had \$93,963 in revenues and \$2,401,432 in expenditures for 2015, and \$0 in revenues and \$1,390,112 in expenditures in 2014. The District Construction Reserve Fund's fund balance decreased by \$1,223,658 from 2014 to 2015, and increased by \$1,966,086 from 2013 to 2014.

Among major funds, the 1999 Bond Issue Fund had \$3,007,891 in revenues and \$2,937,145 in expenditures for 2015, and \$3,115,389 in revenues and \$3,052,995 in expenditures in 2014. The 1999 Bond Issue Fund's fund balance increased by \$70,746 from 2014 to 2015, and increased by \$62,394 from 2013 to 2014.

Capital assets, net of accumulated depreciation, increased by \$1,657,448 for 2015 and decreased by \$1,299,999 for 2014.

Long-term debt decreased by \$4,276,669 for 2015 and decreased by \$631,956 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$44,646 for 2015 and increased by \$20,391 for 2014.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The Statement of Net Position presents information on all the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the remainder 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.

### **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 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 (if applicable) as required by the Governmental Accounting Standards Board.

This report also presents a schedule of the District's proportionate share of the net pension liability of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. This schedule is presented to show trending data over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board.

This report also presents a schedule of District contributions to PERS over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board.

## **Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

## **Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,278,272 as of June 30, 2015.

The District's financial position is a product of several financial transactions including the net result of activities, the 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, 2015 and June 30, 2014.

GASB Statements 68 and 71 were implanted in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of these statements.

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

|   | Governmental Activities |                   | Percentage<br>Change | Component Unit      |                  | Percentage<br>Change |
|---|-------------------------|-------------------|----------------------|---------------------|------------------|----------------------|
|   | 2015                    | 2014              |                      | 2015                | 2014             |                      |
| Current assets                            | \$ 22,162,641           | 23,619,180        | -6.17%               | \$ 529,725          | 428,253          | 23.69%               |
| Restricted assets                         | 6,401,736               | 5,968,204         | 7.26%                | -0-                 | -0-              | N/A                  |
| Capital assets, net                       | 66,747,656              | 64,983,208        | 2.72%                | 859,833             | 966,833          | -11.07%              |
| <b>Total assets</b>                       | <b>95,312,033</b>       | <b>94,570,592</b> | <b>0.78%</b>         | <b>1,389,558</b>    | <b>1,395,086</b> | <b>-0.40%</b>        |
| <b>Deferred outflows<br/>of resources</b> | <b>7,418,718</b>        | <b>276,061</b>    | <b>2587.35%</b>      | <b>-0-</b>          | <b>-0-</b>       | <b>N/A</b>           |
| Current liabilities                       | 589,040                 | 1,464,927         | -59.79%              | 70,852              | 58,998           | 20.09%               |
| Long-term<br>debt outstanding             | 17,676,645              | 21,953,314        | -19.48%              | -0-                 | -0-              | N/A                  |
| Net pension liability                     | 75,678,935              | -0-               | N/A                  | -0-                 | -0-              | N/A                  |
| <b>Total liabilities</b>                  | <b>93,944,620</b>       | <b>23,418,241</b> | <b>301.16%</b>       | <b>70,852</b>       | <b>58,998</b>    | <b>20.09%</b>        |
| <b>Deferred inflows<br/>of resources</b>  | <b>12,383,109</b>       | <b>-0-</b>        | <b>N/A</b>           | <b>-0-</b>          | <b>-0-</b>       | <b>N/A</b>           |
| <b>Net position:</b>                      |                         |                   |                      |                     |                  |                      |
| Net investment in<br>capital assets       | 49,769,192              | 43,856,558        | 13.48%               | 859,833             | 966,833          | -11.07%              |
| Restricted                                | 13,415,840              | 16,294,771        | -17.67%              | -0-                 | -0-              | N/A                  |
| Unrestricted                              | (66,782,010)            | 11,277,083        | -692.19%             | 458,873             | 369,255          | 24.27%               |
| <b>Total net position</b>                 | <b>\$ (3,596,978)</b>   | <b>71,428,412</b> | <b>-105.04%</b>      | <b>\$ 1,318,706</b> | <b>1,336,088</b> | <b>-1.30%</b>        |

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 \$1,657,448.
- The principal retirement of 4,394,618 of long-term debt.
- The amortization of \$83,837 of deferred refunding charges (deferred outflows of resources).

Additional information on unrestricted net position:

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

|   | Governmental<br>Activities | Component<br>Unit |
|---|----------------------------|-------------------|
| Total unrestricted net position (deficit)   | \$ (66,782,010)            | \$ 458,873        |
| Unrestricted deficit in net position resulting from<br>recognition of the net pension liability | 80,835,550                 | -0-               |
| Unrestricted net position exclusive of the net pension liability effect                         | \$ 14,053,540              | \$ 458,873        |

## Changes in net position

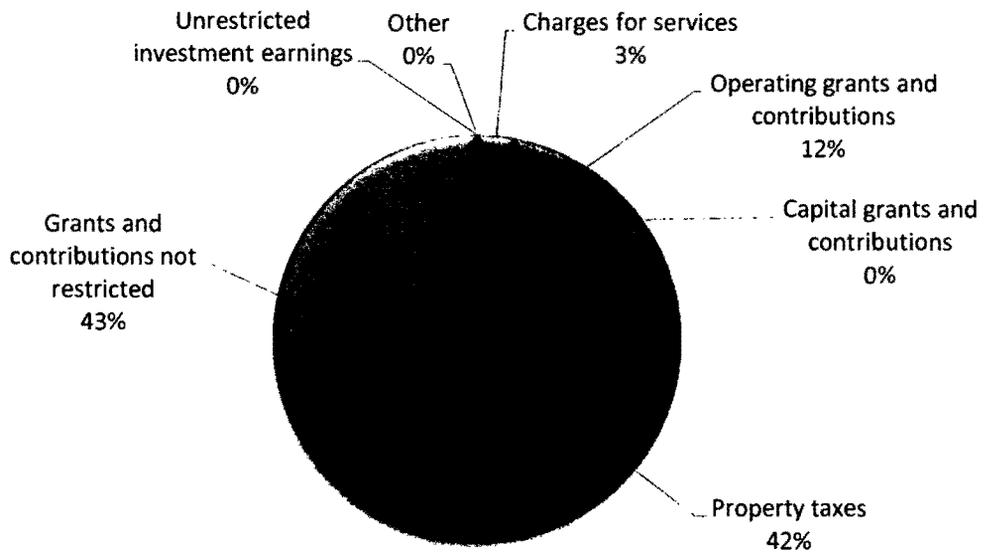
The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$75,144,670 and \$74,015,773, respectively. The total cost of all programs and services was \$69,196,018 for 2015 and \$72,842,750 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

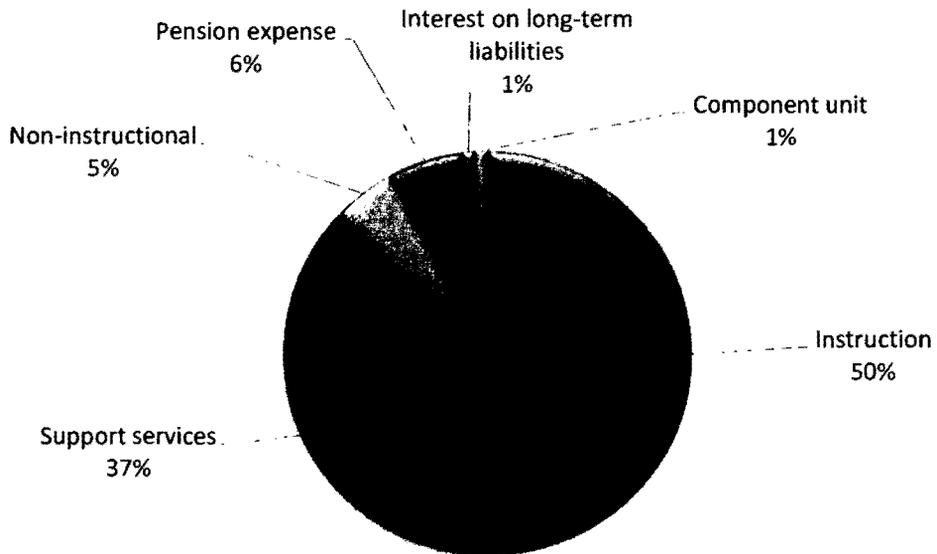
**Table 2**  
**Changes in Net Position**

|   | <u>Year Ended</u><br><u>June 30, 2015</u> | <u>Year Ended</u><br><u>June 30, 2014</u> | <u>Percentage</u><br><u>Change</u> |
|---|---|---|------------------------------------|
| <b>Revenues:</b>                                    |   |   |                                    |
| Program revenues:                                   |   |   |                                    |
| Charges for services                                | \$ 2,117,712                              | \$ 2,037,592                              | 3.93%                              |
| Operating grants and contributions                  | 8,620,053                                 | 8,841,946                                 | -2.51%                             |
| Capital grants and contributions                    | 265,999                                   | 289,674                                   | -8.17%                             |
| General revenues:                                   |   |   |                                    |
| Property taxes                                      | 31,736,380                                | 31,279,103                                | 1.46%                              |
| Grants and contributions not restricted             | 32,002,286                                | 31,190,676                                | 2.60%                              |
| Investment earnings                                 | 89,740                                    | 129,174                                   | -30.53%                            |
| Other   | 312,500                                   | 247,608                                   | 26.21%                             |
| <b>Total revenues</b>                               | <b><u>75,144,670</u></b>                  | <b><u>74,015,773</u></b>                  | <b>1.53%</b>                       |
| <b>Expenses:</b>                                    |   |   |                                    |
| Instruction   | 34,332,480                                | 38,816,011                                | -11.55%                            |
| Support services                                    | 25,438,088                                | 29,205,345                                | -12.90%                            |
| Non-instructional                                   | 3,663,299                                 | 3,715,044                                 | -1.39%                             |
| Pension expense                                     | 4,571,897                                 | -0  | N/A                                |
| Interest on long-term liabilities                   | 472,167                                   | 481,158                                   | -1.87%                             |
| Learning foundation                                 | 718,087                                   | 625,192                                   | 14.86%                             |
| <b>Total expenses</b>                               | <b><u>69,196,018</u></b>                  | <b><u>72,842,750</u></b>                  | <b>-5.01%</b>                      |
| <b>Extraordinary items</b>                          | <b>486,085</b>                            | <b>3,429,496</b>                          | <b>-85.83%</b>                     |
| <b>Increase in net position</b>                     | <b><u>6,434,737</u></b>                   | <b><u>4,602,519</u></b>                   | <b>39.81%</b>                      |
| <b>Net Position, July 1, as previously reported</b> | <b>72,764,500</b>                         | <b>68,393,123</b>                         | <b>6.39%</b>                       |
| <b>Prior Period Adjustments</b>                     | <b>(81,477,509)</b>                       | <b>(231,142)</b>                          | <b>35149.98%</b>                   |
| <b>Net Position, July 1, as restated</b>            | <b><u>(8,713,009)</u></b>                 | <b><u>68,161,981</u></b>                  | <b>-112.78%</b>                    |
| <b>Net Position, June 30</b>                        | <b>\$ <u>(2,278,272)</u></b>              | <b>\$ <u>72,764,500</u></b>               | <b>-103.13%</b>                    |

**Figure 1**  
**Sources of Revenues for Fiscal Year 2015**



**Figure 2**  
**Expenses for Fiscal Year 2015**



## 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    | Net (Expense) Revenue  |                        | Percentage    |
|-----------------------------------|----------------------|----------------------|---------------|------------------------|------------------------|---------------|
|                                   | 2015                 | 2014                 | Change        | 2015                   | 2014                   | Change        |
| Instruction                       | \$ 34,332,480        | \$ 38,816,011        | -11.55%       | \$ (29,558,670)        | \$ (33,682,198)        | -12.24%       |
| Support services                  | 25,438,088           | 29,205,345           | -12.90%       | (23,394,197)           | (27,382,454)           | -14.57%       |
| Non-instructional                 | 3,663,299            | 3,715,044            | -1.39%        | (121,188)              | (134,125)              | -9.65%        |
| Pension expense                   | 4,571,897            | -0-                  | N/A           | (4,571,897)            | -0-                    | N/A           |
| Interest on long-term liabilities | 472,167              | 481,158              | -1.87%        | (472,167)              | (481,158)              | -1.87%        |
|                                   | <u>\$ 68,477,931</u> | <u>\$ 72,217,558</u> | <u>-5.18%</u> | <u>\$ (58,118,119)</u> | <u>\$ (61,679,935)</u> | <u>-5.77%</u> |

- Net cost of governmental activities (\$58,118,119 for 2015 and \$61,679,935 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$31,736,380 for 2015 and \$31,279,103 for 2014) and state and federal revenues (\$32,002,286 for 2015 and \$31,190,676 for 2014).
- Investment earnings amounted to \$88,067 for 2015 and 128,180 for 2014.

## 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 \$28,127,246, a decrease of \$85,702, which includes a decrease in inventory of \$29,759 and prior period adjustments of (\$103,734). \$14,444,887 or 51% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$13,682,369 or 49% is either nonspendable, restricted, committed, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,918,128 which includes prior period adjustments of (\$102,674) and a decrease in reserve for inventory of \$4,738. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,850,918. 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 2014-2015   | -0-                        |
| SPED IDEA Part B      | -0-                        |
| District Construction | \$ (1,223,658)             |
| BI 1999 Retirement    | \$ 70,746                  |

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2015, the District's total capital assets, including primary government and component unit, were \$111,459,604, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a net increase of \$4,347,045, or 4%, from the previous year. Total accumulated depreciation as of June 30, 2015 was \$43,852,115 and total depreciation expense for the year was \$2,930,750, resulting in total net capital assets of \$67,607,489.

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

|                                   | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Percentage Change</u> |
|-----------------------------------|----------------------|----------------------|--------------------------|
| Land                              | \$ 4,122,182         | \$ 4,122,182         | 0.00%                    |
| Construction in progress          | 114,177              | 541,641              | -78.92%                  |
| Buildings                         | 45,253,487           | 43,502,132           | 4.03%                    |
| Building Improvements             | 13,242,975           | 14,067,935           | -5.86%                   |
| Improvements other than buildings | 2,281,257            | 909,809              | 150.74%                  |
| Mobile equipment                  | 2,041,723            | 2,158,332            | -5.40%                   |
| Furniture and equipment           | 551,688              | 648,010              | -14.86%                  |
|                                   | <u>\$ 67,607,489</u> | <u>\$ 65,950,041</u> | <b>2.51%</b>             |

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

**Debt Administration.** At June 30, 2015, the District had \$17,676,645 in outstanding long-term debt, of which \$4,162,822 is due within one year. The liability for compensated absences decreased \$44,646 from the prior year.

The District maintains an A-1 bond rating.

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

|   | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Percentage Change</u> |
|---|----------------------|----------------------|--------------------------|
| General obligation bonds payable            | \$ 3,183,000         | \$ 6,295,000         | -49.44%                  |
| Unamortized premiums                        | 46,655               | 190,060              | -75.45%                  |
| Limited obligation bonds payable            | 1,516,000            | 2,262,000            | -32.98%                  |
| Three mill notes payable                    | 1,810,000            | 1,900,000            | -4.74%                   |
| Obligations under energy efficiency lease   | 180,033              | 320,651              | -43.85%                  |
| Qualified school construction bonds payable | 10,435,000           | 10,435,000           | 0.00%                    |
| Compensated absences payable                | 505,957              | 550,603              | -8.11%                   |
|   | <u>\$ 17,676,645</u> | <u>\$ 21,953,314</u> | <b>-19.48%</b>           |

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. In addition, the District 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 local, state and federal revenues.

Enrollment for the 2014-2015 year increased by 0.04% to 6,247 students.

#### **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, 2015**

**Exhibit A**

|  | Primary Government<br>Governmental<br>Activities | Component Unit<br>Learning<br>Foundation | Total<br>Reporting<br>Entity |
|--|--|--|------------------------------|
| <b>Assets</b>  |  |  |                              |
| Cash and cash equivalents  | \$ 20,333,542                                    | 468,371                                  | 20,801,913                   |
| Cash with fiscal agents  |  | 42,303                                   | 42,303                       |
| Due from other governments   | 1,536,891  |  | 1,536,891                    |
| Accrued interest receivable  | 1,743  |  | 1,743                        |
| Other receivables, net   | 51,275   | 19,051                                   | 70,326                       |
| Inventories  | 142,026  |  | 142,026                      |
| Prepaid items  | 97,164   |  | 97,164                       |
| Restricted assets  | 6,401,736  |  | 6,401,736                    |
| Capital assets, non-depreciable:   |  |  |                              |
| Land   | 3,922,182  | 200,000                                  | 4,122,182                    |
| Construction in progress   | 114,177  |  | 114,177                      |
| Capital assets, net of accumulated depreciation:                               |  |  |                              |
| Buildings  | 44,593,654                                       | 659,833                                  | 45,253,487                   |
| Building improvements  | 13,242,975                                       |  | 13,242,975                   |
| Improvements other than buildings  | 2,281,257  |  | 2,281,257                    |
| Mobile equipment   | 2,041,723  |  | 2,041,723                    |
| Furniture and equipment  | 551,688  |  | 551,688                      |
| Total Assets   | <u>95,312,033</u>                                | <u>1,389,558</u>                         | <u>96,701,591</u>            |
| <b>Deferred Outflows of Resources</b>  |  |  |                              |
| Current:   |  |  |                              |
| Deferred amount on refunding   | 83,837   |  | 83,837                       |
| Pensions - contributions subsequent to the measurement date                    | 6,045,925  |  | 6,045,925                    |
| Pensions - differences between expected and actual experience                  | 424,665  |  | 424,665                      |
| Noncurrent:  |  |  |                              |
| Deferred amount on refunding   | 108,387  |  | 108,387                      |
| Pensions - differences between expected and actual experience                  | 755,904  |  | 755,904                      |
| Total deferred outflows of resources   | <u>7,418,718</u>                                 | <u>-0-</u>                               | <u>7,418,718</u>             |
| <b>Liabilities</b>   |  |  |                              |
| Accounts payable and accrued liabilities                                       | 437,131  | 70,852                                   | 507,983                      |
| Interest payable on long-term liabilities                                      | 151,909  |  | 151,909                      |
| Long-term liabilities, due within one year:                                    |  |  |                              |
| Capital related liabilities  | 4,162,822  |  | 4,162,822                    |
| Long-term liabilities, due beyond one year:                                    |  |  |                              |
| Capital related liabilities  | 13,007,866                                       |  | 13,007,866                   |
| Non-capital related liabilities  | 505,957  |  | 505,957                      |
| Net pension liability  | 75,678,935                                       |  | 75,678,935                   |
| Total Liabilities  | <u>93,944,620</u>                                | <u>70,852</u>                            | <u>94,015,472</u>            |
| <b>Deferred Inflows of Resources</b>   |  |  |                              |
| Current:   |  |  |                              |
| Pensions - Net difference between projected and actual earnings on investments | 2,742,555  |  | 2,742,555                    |
| Pensions - Changes in proportion   | 508,234  |  | 508,234                      |
| Noncurrent:  |  |  |                              |
| Pensions - Net difference between projected and actual earnings on investments | 8,227,663  |  | 8,227,663                    |
| Pensions - Changes in proportion   | 904,657  |  | 904,657                      |
| Total deferred inflows of resources  | <u>12,383,109</u>                                | <u>-0-</u>                               | <u>12,383,109</u>            |
| <b>Net Position</b>  |  |  |                              |
| Net investment in capital assets   | 49,769,192                                       | 859,833                                  | 50,629,025                   |
| Restricted for:  |  |  |                              |
| Expendable:  |  |  |                              |
| School-based activities  | 629,003  |  | 629,003                      |
| Debt service   | 6,312,410  |  | 6,312,410                    |
| Capital improvements   | 6,333,229  |  | 6,333,229                    |
| Unemployment benefits  | 141,198  |  | 141,198                      |
| Unrestricted   | (66,782,010)                                     | 458,873                                  | (66,323,137)                 |
| Total Net Position   | <u>\$ (3,596,978)</u>                            | <u>1,318,706</u>                         | <u>(2,278,272)</u>           |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

**Exhibit B**

| Functions/Programs                                    | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                                    |                        |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|------------------------------------|------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities                   | Component Unit Learning Foundation | Total Reporting Entity |
| <b>Governmental Activities:</b>                       |                      |                      |                                    |                                  |   |                                    |                        |
| Instruction   | \$ 34,332,480        | 607,707              | 4,133,199                          | 32,904                           | (29,558,670)                                      |                                    | (29,558,670)           |
| Support services                                      | 25,438,088           | 146,202              | 1,664,594                          | 233,095                          | (23,394,197)                                      |                                    | (23,394,197)           |
| Non-instructional                                     | 3,663,299            | 719,851              | 2,822,260                          |                                  | (121,188)   |                                    | (121,188)              |
| Pension expense                                       | 4,571,897            |                      |                                    |                                  | (4,571,897)                                       |                                    | (4,571,897)            |
| Interest on long-term liabilities                     | 472,167              |                      |                                    |                                  | (472,167)   |                                    | (472,167)              |
| <b>Total Governmental Activities</b>                  | <b>\$ 68,477,931</b> | <b>1,473,760</b>     | <b>8,620,053</b>                   | <b>265,999</b>                   | <b>(58,118,119)</b>                               | <b>-0-</b>                         | <b>(58,118,119)</b>    |
| <b>Total Component Unit</b>                           | <b>\$ 718,087</b>    | <b>643,952</b>       |                                    |                                  |   | <b>(74,135)</b>                    | <b>(74,135)</b>        |
| <b>General Revenues:</b>                              |                      |                      |                                    |                                  |   |                                    |                        |
| <b>Taxes:</b>   |                      |                      |                                    |                                  |   |                                    |                        |
| General purpose levies                                |                      |                      |                                    |                                  | \$ 26,914,290                                     |                                    | 26,914,290             |
| Debt purpose levies                                   |                      |                      |                                    |                                  | 4,822,090   |                                    | 4,822,090              |
| <b>Unrestricted grants and contributions:</b>         |                      |                      |                                    |                                  |   |                                    |                        |
| State   |                      |                      |                                    |                                  | 31,452,053  |                                    | 31,452,053             |
| Federal   |                      |                      |                                    |                                  | 550,233   |                                    | 550,233                |
| Unrestricted investment earnings                      |                      |                      |                                    |                                  | 88,067  | 1,673                              | 89,740                 |
| Other   |                      |                      |                                    |                                  | 294,939   | 17,561                             | 312,500                |
| <b>Total General Revenues</b>                         |                      |                      |                                    |                                  | <b>64,121,672</b>                                 | <b>19,234</b>                      | <b>64,140,906</b>      |
| <b>Extraordinary Items</b>                            |                      |                      |                                    |                                  |   |                                    |                        |
| Insurance loss recoveries - tomado damage             |                      |                      |                                    |                                  | 486,085   |                                    | 486,085                |
| <b>Total General Revenues and Extraordinary Items</b> |                      |                      |                                    |                                  | <b>64,607,757</b>                                 | <b>19,234</b>                      | <b>64,626,991</b>      |
| <b>Change in Net Position</b>                         |                      |                      |                                    |                                  | <b>6,489,638</b>                                  | <b>(54,901)</b>                    | <b>6,434,737</b>       |
| Net Position - Beginning, as previously reported      |                      |                      |                                    |                                  | 71,428,412  | 1,336,088                          | 72,764,500             |
| Prior Period Adjustments                              |                      |                      |                                    |                                  | (81,515,028)                                      | 37,519                             | (81,477,509)           |
| Net Position - Beginning, as restated                 |                      |                      |                                    |                                  | (10,086,616)                                      | 1,373,607                          | (8,713,009)            |
| <b>Net Position - Ending</b>                          |                      |                      |                                    |                                  | <b>\$ (3,596,978)</b>                             | <b>1,318,706</b>                   | <b>(2,278,272)</b>     |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2015**

**Exhibit C**

|  | Major Funds          |                             |                     |                         |                       | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------|---------------------|-------------------------|-----------------------|--------------------------------|--------------------------------|
|  | General<br>Fund      | Title I-A<br>2014-2015 Fund | IDEA Part B<br>Fund | Construction<br>Reserve | BI 1999<br>Retirement |                                |                                |
| <b>Assets</b>                              |                      |                             |                     |                         |                       |                                |                                |
| Cash and cash equivalents                  | \$ 13,421,868        |                             |                     | 5,437,815               | 3,300,568             | 2,961,692                      | 25,121,943                     |
| Cash with fiscal agents                    |                      |                             |                     |                         |                       | 1,613,335                      | 1,613,335                      |
| Due from other governments                 | 745,711              | 149,904                     | 166,778             |                         | 52,888                | 421,610                        | 1,536,891                      |
| Accrued interest receivable                |                      |                             |                     |                         |                       | 1,743                          | 1,743                          |
| Other receivables, net                     | 51,275               |                             |                     |                         |                       |                                | 51,275                         |
| Due from other funds                       | 639,207              |                             |                     |                         |                       | 23,406                         | 662,613                        |
| Inventories                                | 25,918               |                             |                     |                         |                       | 116,108                        | 142,026                        |
| Prepaid items                              | 88,702               |                             |                     |                         |                       | 8,462                          | 97,164                         |
| <b>Total Assets</b>                        | <b>\$ 14,972,681</b> | <b>149,904</b>              | <b>166,778</b>      | <b>5,437,815</b>        | <b>3,353,456</b>      | <b>5,146,356</b>               | <b>29,226,990</b>              |
| <b>Liabilities and Fund Balances</b>       |                      |                             |                     |                         |                       |                                |                                |
| <b>Liabilities:</b>                        |                      |                             |                     |                         |                       |                                |                                |
| Accounts payable and accrued liabilities   | \$ 226,868           | 188                         |                     | 147,609                 |                       | 62,466                         | 437,131                        |
| Due to other funds                         |                      | 149,716                     | 166,778             |                         |                       | 346,119                        | 662,613                        |
| <b>Total Liabilities</b>                   | <b>226,868</b>       | <b>149,904</b>              | <b>166,778</b>      | <b>147,609</b>          | <b>-0-</b>            | <b>408,585</b>                 | <b>1,099,744</b>               |
| <b>Fund Balances:</b>                      |                      |                             |                     |                         |                       |                                |                                |
| <b>Nonspendable:</b>                       |                      |                             |                     |                         |                       |                                |                                |
| Inventory                                  | 25,918               |                             |                     |                         |                       | 116,108                        | 142,026                        |
| Prepaid items                              | 88,702               |                             |                     |                         |                       | 8,462                          | 97,164                         |
| <b>Restricted:</b>                         |                      |                             |                     |                         |                       |                                |                                |
| Debt service                               |                      |                             |                     |                         | 3,353,456             | 3,110,863                      | 6,464,319                      |
| Capital projects                           |                      |                             |                     | 69,500                  |                       | 1,043,023                      | 1,112,523                      |
| Unemployment benefits                      |                      |                             |                     |                         |                       | 141,198                        | 141,198                        |
| Child nutrition                            |                      |                             |                     |                         |                       | 251,218                        | 251,218                        |
| Other purposes                             |                      |                             |                     |                         |                       | 66,899                         | 66,899                         |
| <b>Committed:</b>                          |                      |                             |                     |                         |                       |                                |                                |
| Capital improvements                       |                      |                             |                     | 33,000                  |                       |                                | 33,000                         |
| <b>Assigned:</b>                           |                      |                             |                     |                         |                       |                                |                                |
| School activities                          | 186,316              |                             |                     |                         |                       |                                | 186,316                        |
| Capital improvements                       |                      |                             |                     | 5,187,706               |                       |                                | 5,187,706                      |
| <b>Unassigned</b>                          | <b>14,444,877</b>    |                             |                     |                         |                       |                                | <b>14,444,877</b>              |
| <b>Total Fund Balances</b>                 | <b>14,745,813</b>    | <b>-0-</b>                  | <b>-0-</b>          | <b>5,290,206</b>        | <b>3,353,456</b>      | <b>4,737,771</b>               | <b>28,127,246</b>              |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 14,972,681</b> | <b>149,904</b>              | <b>166,778</b>      | <b>5,437,815</b>        | <b>3,353,456</b>      | <b>5,146,356</b>               | <b>29,226,990</b>              |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 28,127,246

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          | 114,177             |            |
| Buildings                         | 68,491,439          |            |
| Building improvements             | 20,623,992          |            |
| Improvements other than buildings | 3,479,389           |            |
| Mobile equipment                  | 5,893,815           |            |
| Furniture and equipment           | 5,495,767           |            |
| Accumulated depreciation          | <u>(41,273,105)</u> | 66,747,656 |

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 |  | 192,224 |
|------------------------------|--|---------|

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

(75,678,935)

4. 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 | 7,226,494           |             |
| Deferred inflows of resources related to pensions  | <u>(12,383,109)</u> | (5,156,615) |

5. 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                  | (3,183,000)      |                     |
| Limited obligation bonds                  | (1,516,000)      |                     |
| Three mill notes payable                  | (1,810,000)      |                     |
| Obligations under energy efficiency lease | (180,033)        |                     |
| Qualified school construction bonds       | (10,435,000)     |                     |
| Compensated absences                      | (505,957)        |                     |
| Unamortized premiums                      | (46,655)         |                     |
| Accrued interest payable                  | <u>(151,909)</u> | <u>(17,828,554)</u> |

**Net position of governmental activities** \$ (3,596,978)

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

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

**Exhibit D**

|  | Major Funds          |                             |                     |                         |                       | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------|---------------------|-------------------------|-----------------------|--------------------------------|--------------------------------|
|  | General<br>Fund      | Title I-A<br>2014-2015 Fund | IDEA Part B<br>Fund | Construction<br>Reserve | BI 1999<br>Retirement |                                |                                |
| <b>Revenues:</b>   |                      |                             |                     |                         |                       |                                |                                |
| Local sources  | \$ 27,804,017        |                             |                     | 69,500                  | 3,007,891             | 2,711,736                      | 33,593,144                     |
| State sources  | 31,941,656           |                             |                     |                         |                       | 1,118,598                      | 33,060,254                     |
| Federal sources  | 537,585              | 1,349,766                   | 1,519,649           | 24,463                  |                       | 4,396,620                      | 7,828,083                      |
| <b>Total Revenues</b>  | <b>60,283,258</b>    | <b>1,349,766</b>            | <b>1,519,649</b>    | <b>93,963</b>           | <b>3,007,891</b>      | <b>8,226,954</b>               | <b>74,481,481</b>              |
| <b>Expenditures:</b>   |                      |                             |                     |                         |                       |                                |                                |
| Instruction  | 33,272,428           | 1,157,434                   | 815,062             | 168,405                 |                       | 2,860,070                      | 38,273,399                     |
| Support services   | 22,248,185           | 81,713                      | 687,491             | 308,068                 |                       | 1,758,185                      | 25,083,642                     |
| Noninstructional services                                    | 218,676              | 10,771                      | 133                 |                         |                       | 3,459,994                      | 3,689,574                      |
| Facilities acquisition and construction                      |                      |                             |                     | 1,924,959               |                       | 1,380,537                      | 3,305,496                      |
| Debt service:  |                      |                             |                     |                         |                       |                                |                                |
| Principal  |                      |                             |                     |                         | 2,730,000             | 1,664,618                      | 4,394,618                      |
| Interest   |                      |                             |                     |                         | 205,750               | 264,567                        | 470,317                        |
| Other  |                      |                             |                     |                         | 1,395                 | 11,826                         | 13,221                         |
| <b>Total Expenditures</b>                                    | <b>55,739,289</b>    | <b>1,249,918</b>            | <b>1,502,686</b>    | <b>2,401,432</b>        | <b>2,937,145</b>      | <b>11,399,797</b>              | <b>75,230,267</b>              |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 4,543,969            | 99,848                      | 16,963              | (2,307,469)             | 70,746                | (3,172,843)                    | (748,786)                      |
| <b>Other Financing Sources (Uses):</b>                       |                      |                             |                     |                         |                       |                                |                                |
| Sale of transportation equipment                             | 4,492                |                             |                     |                         |                       |                                | 4,492                          |
| Bonds and notes issued                                       |                      |                             |                     |                         |                       | 306,000                        | 306,000                        |
| Operating transfers in                                       | 205,333              |                             |                     | 901,301                 |                       | 2,444,930                      | 3,551,564                      |
| Operating transfers out                                      | (1,728,254)          | (99,848)                    | (16,963)            | (303,575)               |                       | (1,402,924)                    | (3,551,564)                    |
| Residual equity transfers in                                 |                      |                             |                     |                         |                       | 307,641                        | 307,641                        |
| Residual equity transfers out                                |                      |                             |                     |                         |                       | (307,641)                      | (307,641)                      |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(1,518,429)</b>   | <b>(99,848)</b>             | <b>(16,963)</b>     | <b>597,726</b>          | <b>-0-</b>            | <b>1,348,006</b>               | <b>310,492</b>                 |
| Extraordinary items  |                      |                             |                     | 486,085                 |                       |                                | 486,085                        |
| <b>Net Change in Fund Balances</b>                           | <b>3,025,540</b>     | <b>-0-</b>                  | <b>-0-</b>          | <b>(1,223,658)</b>      | <b>70,746</b>         | <b>(1,824,837)</b>             | <b>47,791</b>                  |
| <b>Fund Balances:</b>  |                      |                             |                     |                         |                       |                                |                                |
| July 1, 2014, as previously reported                         | 11,827,685           | -0-                         | -0-                 | 6,513,864               | 3,282,710             | 6,588,689                      | 28,212,948                     |
| Prior period adjustments                                     | (102,674)            |                             |                     |                         |                       | (1,060)                        | (103,734)                      |
| July 1, 2014, as restated                                    | 11,725,011           | -0-                         | -0-                 | 6,513,864               | 3,282,710             | 6,587,629                      | 28,109,214                     |
| Increase (decrease) in reserve for inventory                 | (4,738)              |                             |                     |                         |                       | (25,021)                       | (29,759)                       |
| <b>June 30, 2015</b>   | <b>\$ 14,745,813</b> | <b>-0-</b>                  | <b>-0-</b>          | <b>5,290,206</b>        | <b>3,353,456</b>      | <b>4,737,771</b>               | <b>28,127,246</b>              |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 47,791

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       | 3,727,338          |         |
| Depreciation expense | <u>(2,823,750)</u> | 903,588 |

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.

(37,424)

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

|                            |                 |           |
|----------------------------|-----------------|-----------|
| Three mill note issued     | (306,000)       |           |
| Payments of debt principal | 4,394,618       |           |
| Accrued interest payable   | <u>(61,418)</u> | 4,027,200 |

4. Pension plan contributions are recognized as expenditures in the governmental funds. However, these contributions are treated as a reduction to the overall net pension liability and are not reported in the Statement of Activities.

6,045,925

5. Pension expense is recognized under the accrual basis of accounting in the Statement of Activities, but is not reported in the governmental funds.

(4,571,897)

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

|                                  |                |               |
|----------------------------------|----------------|---------------|
| Change in compensated absences   | 44,646         |               |
| Change in inventory reserve      | (29,759)       |               |
| Amortization of deferred charges | (83,837)       |               |
| Amortization of premiums         | <u>143,405</u> | <u>74,455</u> |

**Change in net position of governmental activities** \$ 6,489,638

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

**TUPELO PUBLIC SCHOOL DISTRICT  
 FIDUCIARY FUNDS STATEMENT OF  
 FIDUCIARY NET POSITION  
 FOR YEAR ENDED JUNE 30, 2015**

**Exhibit E**

|  | <u>Private-Purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|--|--|-------------------------|
| <b>Assets</b>                            |  |                         |
| Cash and cash equivalents                | \$ <u>162,968</u>                      | \$ <u>2,117,942</u>     |
| Total Assets                             | <u>162,968</u>                         | <u>2,117,942</u>        |
| <b>Liabilities</b>                       |  |                         |
| Accounts payable and accrued liabilities |  | 2,068,441               |
| Due to student clubs                     |  | <u>49,501</u>           |
| Total Liabilities                        | <u>-0-</u>                             | <u>\$ 2,117,942</u>     |
| <b>Net Position</b>                      |  |                         |
| Reserved for endowments                  | 125,000                                |                         |
| Held in trust                            | <u>37,968</u>                          |                         |
| Total Net Position                       | <u>\$ 162,968</u>                      |                         |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

**Exhibit F**

|                            | <u>Private-Purpose<br/>Trust Funds</u> |
|----------------------------|--|
| <b>Additions</b>           |  |
| Interest and dividends     | \$ <u>659</u>                          |
| Total Additions            | <u>659</u>                             |
| <b>Deductions</b>          |  |
| Scholarships awarded       | <u>2,000</u>                           |
| Total Deductions           | <u>2,000</u>                           |
| Change in Net Position     | (1,341)                                |
| Net Position July 1, 2014  | <u>164,309</u>                         |
| Net Position June 30, 2015 | \$ <u><u>162,968</u></u>               |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2015**

**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.

**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 (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 receives 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.

**Government-wide and Fund Financial Statements**

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

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Statement of Net Position presents the District's non-fiduciary assets 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 for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary 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. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Title I-A 2014-2015 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 academic standards.

IDEA Part B Grant Fund – This is a special revenue fund that is used to account for transactions related to the Individuals with Disabilities Education Act that ensures children and youth receive necessary special education and related services.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1: Summary of Significant Accounting Policies (Continued)**

District Construction Fund - This is the School District's fund for monies set aside for capital projects.

BI 1999 Retirement Fund – This debt service fund accounts for general revenue bonds issued during the fiscal year ended June 30, 1999.

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 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.

Harden/CREATE for NBC Fund - This fund accounts for monies set aside teachers applying for National Board Certification.

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

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

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

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.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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, under 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.

**Measurement Focus and Basis of Accounting**

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 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.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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, 2003, issued by the U.S. Department of Education.

**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.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, Deferred Outflows, and Net Position or Equity**

**1. Cash, Cash Equivalents and Investments**

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district, 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.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

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

The following schedule details those thresholds.

**TUPELO PUBLIC SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1: Summary of Significant Accounting Policies (Continued)**

|                                      | <u>Capitalization<br/>Policy</u> | <u>Estimated<br/>Useful Life</u> |
|--------------------------------------|----------------------------------|----------------------------------|
| 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 amounts will correspond with the amounts for the asset classifications as listed. See note 6 for details.

7. Deferred outflows 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 reports \$192,224 in deferred charges related to the refunding of long-term debt as deferred outflows of resources. These charges are amortized to interest expense in accordance with Governmental Accounting Standards.

The District reports \$7,226,494 in deferred outflows related to its pension plan.

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

The District reports \$12,383,109 in deferred inflows related to its pension plan.

See Note 10 and Note 17 for further details.

8. Compensated Absences

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

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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 and component unit 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 THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**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 by resolution of the 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, pursuant to authority established by the Board, are created by the superintendent and business manager.

*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.

**Note 2: Cash and Cash Equivalents and Cash with Fiscal Agents**

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 districts' 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 THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 2: Cash and Cash Equivalents and Cash with Fiscal Agents (Continued)**

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, discretely presented component unit, and fiduciary funds was \$25,121,943, \$468,371, and \$2,280,910, 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. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$30,611,038 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions in governmental funds and discretely presented component unit was \$1,613,335 and \$42,303, respectively.

**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

| <u>Receivable Fund</u>   | <u>Payable Fund</u>      | <u>Amount</u>     |
|--------------------------|--------------------------|-------------------|
| General Fund             | Title I-A 2014-2015 Fund | \$ 149,716        |
| General Fund             | IDEA Part B Fund         | 166,778           |
| General Fund             | Other governmental funds | 322,713           |
| Other governmental funds | Other governmental funds | 23,406            |
| Total                    |                          | <u>\$ 662,613</u> |

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

B. Inter-fund Transfers

| <u>Transfers Out</u>      | <u>Transfers In</u>       | <u>Amount</u>       |
|---------------------------|---------------------------|---------------------|
| General Fund              | Other governmental funds  | \$ 1,728,254        |
| Title I-A 2014-2015 Fund  | General Fund              | 32,917              |
| Title I-A 2014-2015 Fund  | Other governmental funds  | 66,931              |
| IDEA Part B Fund          | General Fund              | 16,963              |
| Construction Reserve Fund | Other governmental funds  | 303,575             |
| Other governmental funds  | General Fund              | 155,453             |
| Other governmental funds  | Construction Reserve Fund | 901,301             |
| Other governmental funds  | Other governmental funds  | 346,170             |
| Total                     |                           | <u>\$ 3,551,564</u> |

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

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

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.

| <u>Funds with Restricted Balances</u>      | <u>Account</u>            | <u>Amount</u>       |
|--|---------------------------|---------------------|
| STN 2011 Retirement Fund                   | Cash and Cash Equivalents | \$ 509,983          |
| STN 2005 Retirement Fund                   | Cash and Cash Equivalents | 257,761             |
| BI 1999 Retirement Fund                    | Cash and Cash Equivalents | 3,300,568           |
| QSCB Retirement Fund - 2011                | Cash and Cash Equivalents | 720,089             |
| Total Restricted Cash and Cash Equivalents |                           | <u>4,788,401</u>    |
| QSCB Retirement Fund - 2010                | Cash with Fiscal Agents   | 705,007             |
| QSCB Retirement Fund - 2011                | Cash with Fiscal Agents   | 648,328             |
| QSCB Retirement Fund - 2013                | Cash with Fiscal Agents   | 260,000             |
| Total Restricted Cash with Fiscal Agents   |                           | <u>1,613,335</u>    |
| Total Restricted Assets                    |                           | <u>\$ 6,401,736</u> |

**Note 5: Other Receivables, Net**

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

|  |                  |
|--|------------------|
| Governmental Funds / Activities:           | <u>Amount</u>    |
| <i>General Fund:</i>                       |                  |
| Student charges - laptop fees              | \$ 206,531       |
| Less: Allowance for uncollectible accounts | <u>(155,256)</u> |
| Total Governmental Funds / Activities      | <u>51,275</u>    |
| Component Unit:                            |                  |
| <i>Learning Foundation:</i>                |                  |
| Due from tenants                           | 363,415          |
| Less: Allowance for uncollectible accounts | <u>(344,364)</u> |
| Total Component Unit                       | <u>19,051</u>    |
| Total Other Receivables, Net               | <u>\$ 70,326</u> |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 6: Capital Assets**

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

|  | Balance<br>7/1/2014  | Increases          | Decreases      | Completed<br>Construction | Adjustments    | Balance<br>6/30/2015 |
|--|----------------------|--------------------|----------------|---------------------------|----------------|----------------------|
| <b>Governmental Activities:</b>                    |                      |                    |                |                           |                |                      |
| <b><u>Non-depreciable capital assets:</u></b>      |                      |                    |                |                           |                |                      |
| Land   | \$ 3,922,182         |                    |                |                           |                | \$ 3,922,182         |
| Construction-in-progress                           | 541,641              | 3,127,887          |                | (4,453,635)               | 898,284        | 114,177              |
| <b>Total non-depreciable capital assets</b>        | <b>4,463,823</b>     | <b>3,127,887</b>   | <b>-0-</b>     | <b>(4,453,635)</b>        | <b>898,284</b> | <b>4,036,359</b>     |
| <b><u>Depreciable capital assets:</u></b>          |                      |                    |                |                           |                |                      |
| Buildings  | 65,427,607           | 177,609            | 86,536         | 2,972,759                 |                | 68,491,439           |
| Building improvements                              | 20,623,992           |                    |                |                           |                | 20,623,992           |
| Improvements other than buildings                  | 1,998,513            |                    |                | 1,480,876                 |                | 3,479,389            |
| Mobile equipment                                   | 5,820,183            | 256,583            | 182,951        |                           |                | 5,893,815            |
| Furniture and equipment                            | 5,339,598            | 165,259            | 9,090          |                           |                | 5,495,767            |
| <b>Total depreciable capital assets</b>            | <b>99,209,893</b>    | <b>599,451</b>     | <b>278,577</b> | <b>4,453,635</b>          | <b>-0-</b>     | <b>103,984,402</b>   |
| <b><u>Less accumulated depreciation for:</u></b>   |                      |                    |                |                           |                |                      |
| Buildings  | 22,692,308           | 1,272,975          | 67,498         |                           |                | 23,897,785           |
| Building improvements                              | 6,556,057            | 824,960            |                |                           |                | 7,381,017            |
| Improvements other than buildings                  | 1,088,704            | 109,428            |                |                           |                | 1,198,132            |
| Mobile equipment                                   | 3,661,851            | 354,897            | 164,656        |                           |                | 3,852,092            |
| Furniture and equipment                            | 4,691,588            | 261,490            | 8,999          |                           |                | 4,944,079            |
| <b>Total accumulated depreciation</b>              | <b>38,690,508</b>    | <b>2,823,750</b>   | <b>241,153</b> | <b>-0-</b>                | <b>-0-</b>     | <b>41,273,105</b>    |
| <b>Total depreciable capital assets, net</b>       | <b>60,519,385</b>    | <b>(2,224,299)</b> | <b>37,424</b>  | <b>4,453,635</b>          | <b>-0-</b>     | <b>62,711,297</b>    |
| <b>Governmental activities capital assets, net</b> | <b>\$ 64,983,208</b> | <b>903,588</b>     | <b>37,424</b>  | <b>-0-</b>                | <b>898,284</b> | <b>\$ 66,747,656</b> |

Adjustments were made to correct the beginning balance of construction-in-progress to reflect expenditures incurred in a prior period.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 6: Capital Assets (Continued)**

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

|   | <u>Balance<br/>7/1/2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance<br/>6/30/2015</u> |
|---|-----------------------------|------------------|------------------|------------------------------|
| <u>Non-depreciable capital assets:</u>                  |                             |                  |                  |                              |
| Land  | \$ 200,000                  |                  |                  | \$ 200,000                   |
| Total non-depreciable capital assets                    | <u>200,000</u>              | <u>-0-</u>       | <u>-0-</u>       | <u>200,000</u>               |
| <u>Depreciable capital assets:</u>                      |                             |                  |                  |                              |
| Buildings   | 3,210,000                   |                  |                  | 3,210,000                    |
| Furniture and equipment                                 | 28,843                      |                  |                  | 28,843                       |
| Total depreciable capital assets                        | <u>3,238,843</u>            | <u>-0-</u>       | <u>-0-</u>       | <u>3,238,843</u>             |
| <u>Less accumulated depreciation for:</u>               |                             |                  |                  |                              |
| Buildings   | 2,443,167                   | 107,000          |                  | 2,550,167                    |
| Furniture and equipment                                 | 28,843                      |                  |                  | 28,843                       |
| Total accumulated depreciation                          | <u>2,472,010</u>            | <u>107,000</u>   | <u>-0-</u>       | <u>2,579,010</u>             |
| Total depreciable capital assets, net                   | <u>766,833</u>              | <u>(107,000)</u> | <u>-0-</u>       | <u>659,833</u>               |
| Discretely presented component unit capital assets, net | <u>\$ 966,833</u>           | <u>(107,000)</u> | <u>-0-</u>       | <u>\$ 859,833</u>            |

Depreciation expense was charged to the following functions:

|  | <u>Amount</u>       |
|--|---------------------|
| <u>Governmental activities:</u>                    |                     |
| Instruction  | \$ 197,662          |
| Support services                                   | 2,541,375           |
| Non-instructional                                  | 84,713              |
| Total governmental activities depreciation expense | <u>\$ 2,823,750</u> |
| <u>Component unit:</u>                             |                     |
| Learning foundation                                | \$ 107,000          |
| Total component unit depreciation expense          | <u>\$ 107,000</u>   |

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 6: Capital Assets (Continued)**

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 cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Commitments under construction contracts at June 30, 2015, are summarized as follows:

|                            | Spent to<br>June 30, 2015 | Remaining<br>Commitment |
|----------------------------|---------------------------|-------------------------|
| Carver Safe Shelter        | \$ 29,211                 | \$ 486,046              |
| Joyner Safe Shelter        | 42,561                    | 730,037                 |
| Thomas Street Safe Shelter | 42,405                    | 727,057                 |
|                            | <u>\$ 114,177</u>         | <u>\$ 1,943,140</u>     |

Construction projects included in governmental activities are funded with Qualified School Construction Bond proceeds and local funds.

**Note 7: Long-term Liabilities**

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

|   | Balance<br>7/1/2014  | Additions      | Reductions       | Balance<br>6/30/2015 | Amounts due<br>within one year |
|---|----------------------|----------------|------------------|----------------------|--------------------------------|
| A General obligation refunding bonds payable  | \$ 6,295,000         |                | 3,112,000        | 3,183,000            | 3,135,000                      |
| Unamortized premiums                          | 190,060              |                | 143,405          | 46,655               | 46,655                         |
| B Limited obligation refunding bonds payable  | 2,262,000            |                | 746,000          | 1,516,000            | 752,000                        |
| C Three mill notes payable                    | 1,900,000            | 306,000        | 396,000          | 1,810,000            | 95,000                         |
| D Obligations under energy efficiency lease   | 320,651              |                | 140,618          | 180,033              | 134,167                        |
| E Qualified school construction bonds payable | 10,435,000           |                |                  | 10,435,000           |                                |
| F Compensated absences                        | 550,603              |                | 44,646           | 505,957              | .                              |
| Total   | <u>\$ 21,953,314</u> | <u>306,000</u> | <u>4,582,669</u> | <u>17,676,645</u>    | <u>4,162,822</u>               |

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7: Long-term Liabilities (Continued)**

A. General obligation refunding 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:

| <u>Description</u>                                 | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding</u> |
|--|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| General obligation refunding<br>bonds, Series 2005 | 3.0-5.0%                 | 5/1/2005              | 11/1/2015                | \$ 18,750,000            | \$ 2,750,000                  |
| General obligation refunding<br>bonds, Series 2012 | 1.29%                    | 7/12/2012             | 9/15/2016                | <u>1,656,000</u>         | <u>433,000</u>                |
| <b>Total</b>                                       |                          |                       |                          | <u>\$ 20,406,000</u>     | <u>\$ 3,183,000</u>           |

Details of the district's June 30, 2015 general obligation bonded indebtedness are as follows:

1. Bond issue of 5/1/2005

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u> | <u>Total</u>     |
|---------------------------------|---------------------|-----------------|------------------|
| 2016                            | \$ 2,750,000        | 68,750          | 2,818,750        |
| <b>Total</b>                    | <u>\$ 2,750,000</u> | <u>68,750</u>   | <u>2,818,750</u> |

This debt will be retired from the BI 1999 Retirement Fund

2. Bond issue of 7/12/2012

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>   |
|---------------------------------|-------------------|-----------------|----------------|
| 2016                            | \$ 385,000        | 3,102           | 388,102        |
| 2017                            | 48,000            | 310             | 48,310         |
| <b>Total</b>                    | <u>\$ 433,000</u> | <u>3,412</u>    | <u>436,412</u> |

This debt will be retired from the L/P1999 Retirement Fund.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7: Long-term Liabilities (Continued)**

Total general obligation refunding bond payments for all issues:

| Year Ending<br>June 30, | Principal    | Interest | Total     |
|-------------------------|--------------|----------|-----------|
| 2016                    | \$ 3,135,000 | 71,852   | 3,206,852 |
| 2017                    | 48,000       | 310      | 48,310    |
| Total                   | \$ 3,183,000 | 72,162   | 3,255,162 |

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, 2015, the amount of outstanding bonded indebtedness was equal to 0.4% of property assessments as of October 1, 2014.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7: Long-term Liabilities (Continued)**

**B. Limited obligation bonds payable**

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

| <u>Description</u>                                 | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding</u> |
|--|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| Limited obligation refunding<br>bonds, Series 2012 | 1.2-1.8%                 | 7/12/2012             | 6/1/2017                 | \$ 1,864,000             | \$ 758,000                    |
| Limited obligation refunding<br>bonds, Series 2012 | 1.2-1.8%                 | 7/12/2012             | 6/1/2017                 | <u>1,864,000</u>         | <u>758,000</u>                |
| <b>Total</b>                                       |                          |                       |                          | <u>\$ 3,728,000</u>      | <u>\$ 1,516,000</u>           |

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

**1. Limited obligation refunding bonds issue of 7/12/2012**

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>   |
|---------------------------------|-------------------|-----------------|----------------|
| 2016                            | \$ 376,000        | 12,892          | 388,892        |
| 2017                            | <u>382,000</u>    | <u>6,876</u>    | <u>388,876</u> |
| <b>Total</b>                    | <u>\$ 758,000</u> | <u>19,768</u>   | <u>777,768</u> |

This debt will be retired from the STN 2005 Retirement fund.

**2. Limited obligation refunding bonds issue of 7/12/2012**

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>   |
|---------------------------------|-------------------|-----------------|----------------|
| 2016                            | \$ 376,000        | 12,892          | 388,892        |
| 2017                            | <u>382,000</u>    | <u>6,876</u>    | <u>388,876</u> |
| <b>Total</b>                    | <u>\$ 758,000</u> | <u>19,768</u>   | <u>777,768</u> |

This debt will be retired from the STN 2005 Retirement fund.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7: Long-term Liabilities (Continued)**

Total limited obligation refunding bond payments for all issues:

| Year Ending<br>June 30, | Principal    | Interest | Total     |
|-------------------------|--------------|----------|-----------|
| 2016                    | \$ 752,000   | 25,784   | 777,784   |
| 2017                    | 764,000      | 13,752   | 777,752   |
| Total                   | \$ 1,516,000 | 39,536   | 1,555,536 |

C. Three mill note payable.

Debt currently outstanding is as follows:

| Description                      | Interest Rate | Issue Date | Maturity Date | Amount<br>Issued | Amount<br>Outstanding |
|----------------------------------|---------------|------------|---------------|------------------|-----------------------|
| Limited tax note,<br>Series 2011 | 3.04%         | 5/19/2011  | 9/1/2020      | \$ 2,275,000     | \$ 1,810,000          |
| Total                            |               |            |               | \$ 2,275,000     | \$ 1,810,000          |

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

| Year Ending<br>June 30, | Principal    | Interest | Total     |
|-------------------------|--------------|----------|-----------|
| 2016                    | 95,000       | 53,580   | 148,580   |
| 2017                    | 100,000      | 50,616   | 150,616   |
| 2018                    | 275,000      | 44,916   | 319,916   |
| 2019                    | 525,000      | 32,756   | 557,756   |
| 2020-2024               | 815,000      | 22,724   | 837,724   |
| Total                   | \$ 1,810,000 | 204,592  | 2,014,592 |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7: Long-term Liabilities (Continued)**

D. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

| <u>Description</u>         | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding</u> |
|----------------------------|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| Energy Efficiency<br>Lease | 3.92%                    | 1/23/2006             | 12/23/2016               | \$ 1,116,762             | \$ 180,033                    |
| Total                      |                          |                       |                          | \$ 1,116,762             | \$ 180,033                    |

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

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u> | <u>Interest and<br/>Maintenance<br/>Charges</u> | <u>Total</u> |
|---------------------------------|------------------|---|--------------|
| 2016                            | \$ 134,167       | 5,127   | 139,294      |
| 2017                            | 45,866           | 565   | 46,431       |
| Total                           | \$ 180,033       | 5,692   | 185,725      |

This debt will be retired from the Lease Purchase 2006 Performance Contract Fund.

An energy efficiency lease agreement dated January 23, 2006, was executed by and between the district, the lessee, and SunTrust Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$1,116,762 for the purchase of energy efficiency equipment, machinery, supplies building modifications, and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7: Long-term Liabilities (Continued)**

E. 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:

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

Qualified school construction bonds payable issued 1/14/2010:

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

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u> | <u>Total</u>     |
|---------------------------------|---------------------|-----------------|------------------|
| 2016                            | \$ -0-              | 25,200          | 25,200           |
| 2017                            | -0-                 | 25,200          | 25,200           |
| 2018                            | -0-                 | 25,200          | 25,200           |
| 2019                            | -0-                 | 25,200          | 25,200           |
| 2020                            | -0-                 | 25,200          | 25,200           |
| 2021-2024                       | <u>3,000,000 *</u>  | <u>126,000</u>  | <u>3,126,000</u> |
| Total                           | <u>\$ 3,000,000</u> | <u>252,000</u>  | <u>3,252,000</u> |

\* Payable from sinking fund, see Note 14.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7: Long-term Liabilities (Continued)**

Qualified school construction bonds payable issued 12/20/2011:

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

| Year Ending<br>June 30, | Principal    | Interest  | Total     |
|-------------------------|--------------|-----------|-----------|
| 2016                    | \$ -0-       | 138,000   | 138,000   |
| 2017                    | -0-          | 138,000   | 138,000   |
| 2018                    | -0-          | 138,000   | 138,000   |
| 2019                    | -0-          | 138,000   | 138,000   |
| 2020                    | -0-          | 138,000   | 138,000   |
| 2021-2025               | -0-          | 690,000   | 690,000   |
| 2026-2030               | 3,000,000 *  | 138,000   | 3,138,000 |
| Total                   | \$ 3,000,000 | 1,518,000 | 4,518,000 |

\* Payable from sinking fund, see Note 14.

Qualified school construction bonds payable issued 7/9/2013:

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

| Year Ending<br>June 30, | Principal    | Interest | Total     |
|-------------------------|--------------|----------|-----------|
| 2016                    | \$ -0-       | -0-      | -0-       |
| 2017                    | -0-          | -0-      | -0-       |
| 2018                    | -0-          | -0-      | -0-       |
| 2019                    | -0-          | -0-      | -0-       |
| 2020                    | -0-          | -0-      | -0-       |
| 2021-2025               | -0-          | -0-      | -0-       |
| 2026-2030               | 4,435,000 *  | -0-      | 4,435,000 |
| Total                   | \$ 4,435,000 | -0-      | 4,435,000 |

\* Payable from sinking fund, see Note 14.

**F. Compensated absences payable.**

As more fully explained in Note 1(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.

**TUPELO PUBLIC SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2015**

**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 liability for the defeased bonds are not included in the district's financial statements. On June 30, 2015, \$5,460,000 of bonds outstanding are defeased.

**Note 9: Other Commitments**

Commitments under construction contracts are described in Note 6.

Operating Leases:

The School District has several operating leases for the following:

1. Copiers

Lease expenditures for the year ended June 30, 2015, amount to \$201,080. Future minimum lease payments for these leases are as follows:

| Year Ending<br>June 30, | Principal         |
|-------------------------|-------------------|
| 2016                    | \$ 180,705        |
| 2017                    | 180,705           |
| Total                   | \$ <u>361,410</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.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 10: Defined Benefit Pension Plan (Continued)**

If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. 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, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$6,045,925, \$6,000,405, and \$5,554,846, 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, 2015, the school district reported a liability of \$75,678,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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. At June 30, 2014, the school district's proportion was 0.623 percent.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 10: Defined Benefit Pension Plan (Continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$4,571,897. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 1,180,569                              | \$ -0-                                   |
| Net difference between projected and actual earnings on pension plan investments | -0-                                       | 10,970,218                               |
| Changes in Proportion  | -0-                                       | 1,412,891                                |
| District contributions subsequent to the measurement date                        | 6,045,925                                 | -0-                                      |
| <b>Total</b>   | <b>\$ <u>7,226,494</u></b>                | <b>\$ <u>12,383,109</u></b>              |

\$6,045,925 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | <u>Amount</u>                 |
|----------------------------|-------------------------------|
| 2016                       | \$ (2,826,124)                |
| 2017                       | (2,826,124)                   |
| 2018                       | (2,807,738)                   |
| 2019                       | <u>(2,742,554)</u>            |
| Total                      | <b>\$ <u>(11,202,540)</u></b> |

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 10: Defined Benefit Pension Plan (Continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.5 percent   |
| Salary increases          | 4.25 - 19.50 percent, including inflation                                 |
| Investment rate of return | 8.00 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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>             |   |

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate 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.

**TUPELO PUBLIC SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2015**

**Note 10: Defined Benefit Pension Plan (Continued)**

*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 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

|  | 1% Decrease<br>(7.00%) | Current Discount<br>Rate (8.00%) | 1% Increase<br>(9.00%) |
|--|------------------------|----------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 103,172,956         | \$ 75,678,935                    | \$ 52,744,833          |

*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 and Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

| Explanation   | Amount          |
|---|-----------------|
| <i>Governmental Activities</i>                                    |                 |
| Implementation of GASB 68 and 71:                                 |                 |
| Net pension liability (measurement date)                          | \$ (88,309,983) |
| Deferred outflows - contributions made during<br>fiscal year 2014 | 6,000,405       |
| Total PPA related to GASB 68 and 71                               | (82,309,578)    |
| To correct construction in progress                               | 898,284         |
| To correct prior year receivables                                 | 30,533          |
| To correct beginning cash balance                                 | (134,267)       |
| Total   | \$ (81,515,028) |

**TUPELO PUBLIC SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2015**

**Note 11: Prior Period Adjustments (Continued)**

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

| <u>Explanation</u>                | <u>Amount</u>       |
|-----------------------------------|---------------------|
| <i>General Fund</i>               |                     |
| To correct prior year receivables | \$ 30,533           |
| To correct beginning cash balance | <u>(133,207)</u>    |
| Total General Fund                | <u>(102,674)</u>    |
| <i>Other Governmental Funds</i>   |                     |
| To correct beginning cash balance | <u>(1,060)</u>      |
| Total Other Governmental Funds    | <u>(1,060)</u>      |
| Total                             | <u>\$ (103,734)</u> |

**Note 12: Contingencies**

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

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. Except as described below, 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.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 13: Risk Management (Continued)**

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 14: Qualified School Construction Bonds**

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$2,333,424. 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.

**TUPELO PUBLIC SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2015**

**Note 14: Qualified School Construction Bonds (Continued)**

| Year Ending<br>June 30 | Amount              |
|------------------------|---------------------|
| 2016                   | \$ 489,000          |
| 2017                   | 489,000             |
| 2018                   | 989,000             |
| 2019                   | 854,000             |
| 2020                   | 854,000             |
| 2021-2025              | 4,048,000           |
| 2026-2030              | 1,105,000           |
| Total                  | <u>\$ 8,828,000</u> |

**Note 15: Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated August 14, 1990 creating the Lee/Tupelo Vocational Technical Education Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Lee County School District and the Tupelo Public School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Tupelo Public School District has been designated as the fiscal agent for the Lee/Tupelo Vocational Technical Education Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Lee/Tupelo Vocational Technical Education Center.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 15: Vocational School Consortium (Continued)**

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2015

**Revenues**

|   |                |
|---|----------------|
| Local sources:                                  |                |
| Tuition from other LEA's within the state:      |                |
| Lee County School District                      | \$ 35,202      |
| Total tuition from other LEA's within the state | <u>35,202</u>  |
| Ad Valorem                                      | <u>212,209</u> |
| Total local sources                             | <u>247,411</u> |
| State sources                                   | 523,821        |
| Federal sources                                 | <u>88,357</u>  |
| Total Revenues                                  | <u>859,589</u> |

**Expenditures**

|   |                    |
|---|--------------------|
| Salaries  | 1,304,896          |
| Employee benefits   | 424,207            |
| Purchased professional and technical services             | 9,499              |
| Purchased property services                               | 966                |
| Other purchased services                                  | 17,897             |
| Supplies  | 60,699             |
| Property  | 51,636             |
| Other   | <u>4,318</u>       |
| Total Expenditures  | <u>1,874,118</u>   |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,014,529)</u> |

**Other Financing Sources/Uses:**

|                                    |                  |
|------------------------------------|------------------|
| Other transfers in                 | <u>1,014,529</u> |
| Total Other Financing Sources/Uses | <u>1,014,529</u> |
| Net Change in Fund Balance         | <u>-0-</u>       |

Fund Balance:

|               |               |
|---------------|---------------|
| July 1, 2014  | <u>-0-</u>    |
| June 30, 2015 | <u>\$ -0-</u> |

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 16: Insurance Loss Recoveries**

The Tupelo School District received \$486,085 in insurance loss recoveries during the 2014-2015 fiscal year. In the government-wide Statement of Activities, these insurance loss recoveries are reported as an extraordinary item.

**Note 17: Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$66,323,137) includes the effect of deferring the recognition of deferred refunding charges due to the issuance of general obligation refunding bonds. The \$192,224 balance of the deferred outflow of resources at June 30, 2015 will be recognized as expense and decrease unrestricted net position over the remaining 2-year life of the related bond.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$1,180,569 balance of the net deferred outflow of resources at June 30, 2015 will be recognized as expense and decrease unrestricted net position over the remaining 3 years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. The \$10,970,218 balance of the net deferred inflow of resources at June 30, 2015 will be recognized as income and increase unrestricted net position over the remaining 4 years.

Unrestricted net position also includes the effect of deferring the recognition of changes in the District's proportionate share of the total defined benefit plan's pension liability. The \$1,412,891 balance of the net deferred inflow of resources at June 30, 2015 will be recognized as income and increase unrestricted net position over the remaining 3 years.

**Note 18: Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tupelo Public School District evaluated the activity of the district through November 15, 2015, (the date the financial statements were available to be issued), and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements:

| <u>Description</u>                        | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Issue<br/>Amount</u> |
|---|--------------------------|-----------------------|--------------------------|-------------------------|
| General Obligation Bonds -<br>Series 2015 | 3.00-4.00%               | 9/1/2015              | 9/1/2035                 | \$ 34,100,000           |

**REQUIRED SUPPLEMENTARY INFORMATION**

**TUPELO PUBLIC SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR YEAR ENDED JUNE 30, 2015**

|  | Budgeted Amounts   |                    | Acual<br>(GAAP Basis) | Variances            |                    |
|--|--------------------|--------------------|-----------------------|----------------------|--------------------|
|  |                    |                    |                       | Positive (Negative)  |                    |
|  | Original           | Final              |                       | Original<br>to Final | Final<br>to Actual |
| <b>Revenues:</b>   |                    |                    |                       |                      |                    |
| Local sources  | \$ 26,831,557      | 27,804,017         | 27,804,017            | 972,460              | -0-                |
| State sources  | 31,732,851         | 31,941,656         | 31,941,656            | 208,805              | -0-                |
| Federal sources  | 788,300            | 537,585            | 537,585               | (250,715)            | -0-                |
| <b>Total Revenues</b>  | <b>59,352,708</b>  | <b>60,283,258</b>  | <b>60,283,258</b>     | <b>930,550</b>       | <b>-0-</b>         |
| <b>Expenditures:</b>   |                    |                    |                       |                      |                    |
| Instruction  | 38,078,144         | 33,272,428         | 33,272,428            | 4,805,716            | -0-                |
| Support services   | 23,719,366         | 22,248,185         | 22,248,185            | 1,471,181            | -0-                |
| Noninstructional services  | 220,735            | 218,676            | 218,676               | 2,059                | -0-                |
| <b>Total Expenditures</b>  | <b>62,018,245</b>  | <b>55,739,289</b>  | <b>55,739,289</b>     | <b>6,278,956</b>     | <b>-0-</b>         |
| <b>Excess (Deficiency) of Revenues<br/>    Over Expenditures</b> | <b>(2,665,537)</b> | <b>4,543,969</b>   | <b>4,543,969</b>      | <b>7,209,506</b>     | <b>-0-</b>         |
| <b>Other Financing Sources (Uses):</b>                           |                    |                    |                       |                      |                    |
| Sale of transportation equipment                                 | -0-                | 4,492              | 4,492                 | 4,492                | -0-                |
| Proceeds of loans  | 306,549            | -0-                | -0-                   | (306,549)            | -0-                |
| Operating transfers in   | 6,968,153          | 205,333            | 205,333               | (6,762,820)          | -0-                |
| Operating transfers out  | (9,151,253)        | (1,728,254)        | (1,728,254)           | 7,422,999            | -0-                |
| <b>Total Other Financing Sources (Uses)</b>                      | <b>(1,876,551)</b> | <b>(1,518,429)</b> | <b>(1,518,429)</b>    | <b>358,122</b>       | <b>-0-</b>         |
| <b>Net Change in Fund Balance</b>                                | <b>(4,542,088)</b> | <b>3,025,540</b>   | <b>3,025,540</b>      | <b>7,567,628</b>     | <b>-0-</b>         |
| <b>Fund Balance</b>  |                    |                    |                       |                      |                    |
| July 1, 2014, as previously reported                             | 6,508,310          | 11,827,685         | 11,827,685            | 5,319,375            | -0-                |
| Prior period adjustments   | -0-                | (102,674)          | (102,674)             | (102,674)            | -0-                |
| July 1, 2014, as restated  | 6,508,310          | 11,725,011         | 11,725,011            | 5,216,701            | -0-                |
| Decrease in reserve for inventory                                | -0-                | (4,738)            | (4,738)               | (4,738)              | -0-                |
| June 30, 2015  | \$ 1,966,222       | 14,745,813         | 14,745,813            | 12,779,591           | -0-                |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE – TITLE I-A 2014-2015 FUND  
FOR YEAR ENDED JUNE 30, 2015**

|  | Budgeted Amounts |                  | Actual<br>(GAAP Basis) | Variances            |                    |
|--|------------------|------------------|------------------------|----------------------|--------------------|
|  |                  |                  |                        | Original<br>to Final | Final<br>to Actual |
|  | Original         | Final            |                        |                      |                    |
| Revenues:  |                  |                  |                        |                      |                    |
| Federal sources                                      | \$ 2,956,690     | 1,349,766        | 1,349,766              | (1,606,924)          | -0-                |
| Total Revenues                                       | <u>2,956,690</u> | <u>1,349,766</u> | <u>1,349,766</u>       | <u>(1,606,924)</u>   | <u>-0-</u>         |
| Expenditures:  |                  |                  |                        |                      |                    |
| Instruction  | 2,382,353        | 1,157,434        | 1,157,434              | 1,224,919            | -0-                |
| Support services                                     | 155,388          | 81,713           | 81,713                 | 73,675               | -0-                |
| Noninstructional services                            | 67,565           | 10,771           | 10,771                 | 56,794               | -0-                |
| Total Expenditures                                   | <u>2,605,306</u> | <u>1,249,918</u> | <u>1,249,918</u>       | <u>1,355,388</u>     | <u>-0-</u>         |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>351,384</u>   | <u>99,848</u>    | <u>99,848</u>          | <u>(251,536)</u>     | <u>-0-</u>         |
| Other Financing Sources (Uses):                      |                  |                  |                        |                      |                    |
| Operating transfers out                              | (351,384)        | (99,848)         | (99,848)               | 251,536              | -0-                |
| Total Other Financing Sources (Uses)                 | <u>(351,384)</u> | <u>(99,848)</u>  | <u>(99,848)</u>        | <u>251,536</u>       | <u>-0-</u>         |
| Net Change in Fund Balance                           | -0-              | -0-              | -0-                    | -0-                  | -0-                |
| Fund Balance   |                  |                  |                        |                      |                    |
| July 1, 2014   | <u>-0-</u>       | <u>-0-</u>       | <u>-0-</u>             | <u>-0-</u>           | <u>-0-</u>         |
| June 30, 2015  | <u>\$ -0-</u>    | <u>-0-</u>       | <u>-0-</u>             | <u>-0-</u>           | <u>-0-</u>         |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE – IDEA PART B FUND  
FOR YEAR ENDED JUNE 30, 2015**

|  | Budgeted Amounts |                  | Actual<br>(GAAP Basis) | Variances            |                    |
|--|------------------|------------------|------------------------|----------------------|--------------------|
|  |                  |                  |                        | Positive (Negative)  |                    |
|  | Original         | Final            |                        | Original<br>to Final | Final<br>to Actual |
| <b>Revenues:</b>                                     |                  |                  |                        |                      |                    |
| Federal sources                                      | \$ 1,626,454     | 1,519,649        | 1,519,649              | (106,805)            | -0-                |
| <b>Total Revenues</b>                                | <u>1,626,454</u> | <u>1,519,649</u> | <u>1,519,649</u>       | <u>(106,805)</u>     | <u>-0-</u>         |
| <b>Expenditures:</b>                                 |                  |                  |                        |                      |                    |
| Instruction  | 855,849          | 815,062          | 815,062                | 40,787               | -0-                |
| Support services                                     | 739,605          | 687,491          | 687,491                | 52,114               | -0-                |
| Noninstructional services                            | 1,000            | 133              | 133                    | 867                  | -0-                |
| <b>Total Expenditures</b>                            | <u>1,596,454</u> | <u>1,502,686</u> | <u>1,502,686</u>       | <u>93,768</u>        | <u>-0-</u>         |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>30,000</u>    | <u>16,963</u>    | <u>16,963</u>          | <u>(13,037)</u>      | <u>-0-</u>         |
| <b>Other Financing Sources (Uses):</b>               |                  |                  |                        |                      |                    |
| Operating transfers out                              | <u>(30,000)</u>  | <u>(16,963)</u>  | <u>(16,963)</u>        | <u>13,037</u>        | <u>-0-</u>         |
| <b>Total Other Financing Sources (Uses)</b>          | <u>(30,000)</u>  | <u>(16,963)</u>  | <u>(16,963)</u>        | <u>13,037</u>        | <u>-0-</u>         |
| Net Change in Fund Balance                           | -0-              | -0-              | -0-                    | -0-                  | -0-                |
| <b>Fund Balance</b>                                  |                  |                  |                        |                      |                    |
| July 1, 2014   | <u>-0-</u>       | <u>-0-</u>       | <u>-0-</u>             | <u>-0-</u>           | <u>-0-</u>         |
| June 30, 2015  | <u>\$ -0-</u>    | <u>-0-</u>       | <u>-0-</u>             | <u>-0-</u>           | <u>-0-</u>         |

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

**TUPELO PUBLIC SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 LAST TEN FISCAL YEARS\***

|   | <b>2015</b>   |
|---|---------------|
| District's proportion of the net pension liability  | 0.623%        |
| District's proportionate share of the net pension liability   | \$ 75,678,935 |
| District's covered-employee payroll   | 38,097,852    |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 198.64%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 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 prior year 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  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 PERS  
 LAST TEN FISCAL YEARS**

|  | <b>2015</b>    |
|--|----------------|
| Contractually required contribution                                  | \$ 6,045,925   |
| Contributions in relation to the contractually required contribution | (6,045,925)    |
| Contribution deficiency (excess)                                     | \$ -0-         |
| <br>District's covered-employee payroll                              | <br>38,386,820 |
| Contributions as a percentage of covered-employee payroll            | 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 YEAR ENDED JUNE 30, 2015**

**Budgetary Comparison Schedules**

**Note 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.

**Note 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.

**SUPPLEMENTARY INFORMATION**

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED JUNE 30, 2015**

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title        | Catalog of<br>Federal Domestic<br>Assistance Number | Federal<br>Expenditures |
|---|---|-------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                      |   |                         |
| Passed-through Mississippi Department of Education:               |   |                         |
| Child Nutrition Cluster:  |   |                         |
| School breakfast program  | 10.553  | \$ 751,862              |
| National school lunch program                                     | 10.555  | 2,261,004               |
| Summer food service program for children                          | 10.559  | 95,193                  |
| Total child nutrition cluster                                     |   | <u>3,108,059</u>        |
| <b>Total U.S. Department of Agriculture</b>                       |   | <u>3,108,059</u>        |
| <b><u>Federal Communications Commission</u></b>                   |   |                         |
| Administered through the Universal Service Administrative Company |   |                         |
| The schools and libraries program of the universal service fund   | 32.xxx  | 253,031                 |
| <b>Total Federal Communications Commission</b>                    |   | <u>253,031</u>          |
| <b><u>National Endowment for the Arts</u></b>                     |   |                         |
| Passed-through Mississippi Arts Commission                        |   |                         |
| Promotion of the arts-partnership agreements                      | 45.025  | 5,500                   |
| <b>Total National Endowment for the Arts</b>                      |   | <u>5,500</u>            |
| <b><u>U.S. Department of Education</u></b>                        |   |                         |
| Passed-through Mississippi Department of Education:               |   |                         |
| Special Education Cluster:  |   |                         |
| Special education - grants to states                              | 84.027  | 1,634,927               |
| Special education - preschool grants                              | 84.173  | 68,293                  |
| Total special education cluster                                   |   | <u>1,703,220</u>        |
| Title I - grants to local educational agencies                    | 84.010  | 2,058,995               |
| Vocational education - basic grants to state                      | 84.048  | 88,357                  |
| Education for homeless children and youth                         | 84.196  | 27,611                  |
| Twenty-first century community learning centers                   | 84.287  | 22,734                  |
| English language acquisition grants                               | 84.365  | 45,917                  |
| Improving teacher quality state grants                            | 84.367  | 269,510                 |
| <b>Total U.S. Department of Education</b>                         |   | <u>4,216,344</u>        |
| <b><u>U.S. Department of Health and Human Services</u></b>        |   |                         |
| Passed-through Mississippi Department of Education:               |   |                         |
| Medical Assistance program  | 93.778  | 19,435                  |
| <b>Total U.S. Department of Health and Human Services</b>         |   | <u>19,435</u>           |
| <b><u>U.S. Department of Homeland Security</u></b>                |   |                         |
| Disaster grants - public assistance                               | 97.036  | 24,463                  |
| <b>Total U.S. Department of Homeland Security</b>                 |   | <u>24,463</u>           |
| <b>Total for All Federal Awards</b>                               |   | <u>\$ 7,626,832</u>     |

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR YEAR ENDED JUNE 30, 2015**

**Notes to Schedule**

**Note 1:** This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

**Note 2:** The expenditure amounts include transfers out.

**Note 3:** The pass-through entities did not assign identifying numbers to the school district.

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND  
OTHER EXPENDITURES – GOVERNMENTAL FUNDS  
FOR YEAR ENDED JUNE 30, 2015**

| <u>Expenditures</u>          | <u>Total</u>         | <u>Instruction and<br/>Other Student<br/>Instructional<br/>Expenditures</u> | <u>General<br/>Administration</u> | <u>School<br/>Administration</u> | <u>Other</u>      |
|------------------------------|----------------------|---|-----------------------------------|----------------------------------|-------------------|
| Salaries and fringe benefits | \$ 52,173,508        | 40,800,530  | 2,213,991                         | 3,367,769                        | 5,791,218         |
| Other                        | <u>23,056,759</u>    | <u>5,923,553</u>  | <u>597,102</u>                    | <u>45,333</u>                    | <u>16,490,771</u> |
| Total                        | \$ <u>75,230,267</u> | <u>46,724,083</u>   | <u>2,811,093</u>                  | <u>3,413,102</u>                 | <u>22,281,989</u> |
| Total number of students *   | 6,247                |   |                                   |                                  |                   |
| Cost per student             | \$ <u>12,042</u>     | <u>7,479</u>  | <u>450</u>                        | <u>546</u>                       | <u>3,567</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 - (all the 1000, 2100, & 2200 functional codes.)

**General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

**School Administration** - includes expenditures for the following function: Support Services - School Administration (2400s).

**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.

**OTHER INFORMATION**

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GENERAL FUND  
LAST FOUR YEARS**

|  | 2015                 | 2014*              | 2013*              | "UNAUDITED"<br>2012* |
|--|----------------------|--------------------|--------------------|----------------------|
| <b>Revenues:</b>                                     |                      |                    |                    |                      |
| Local sources  | \$ 27,804,017        | 27,208,271         | 26,981,703         | 26,841,173           |
| State sources  | 31,941,656           | 30,713,840         | 31,325,325         | 30,838,531           |
| Federal sources                                      | 537,585              | 526,861            | 545,863            | 612,902              |
| <b>Total Revenues</b>                                | <b>60,283,258</b>    | <b>58,448,972</b>  | <b>58,852,891</b>  | <b>58,292,606</b>    |
| <b>Expenditures:</b>                                 |                      |                    |                    |                      |
| Instruction  | 33,272,428           | 32,425,430         | 33,571,413         | 34,414,678           |
| Support services                                     | 22,248,185           | 22,271,181         | 20,839,140         | 20,092,677           |
| Noninstructional services                            | 218,676              | 204,940            | 105,351            | 79,705               |
| <b>Total Expenditures</b>                            | <b>55,739,289</b>    | <b>54,901,551</b>  | <b>54,515,904</b>  | <b>54,587,060</b>    |
| Excess (Deficiency) of Revenues<br>over Expenditures | 4,543,969            | 3,547,421          | 4,336,987          | 3,705,546            |
| <b>Other Financing Sources (Uses):</b>               |                      |                    |                    |                      |
| Insurance loss recoveries                            |                      | 23,603             | 24,663             | 74,053               |
| Sale of transportation equipment                     | 4,492                |                    | 3,633              | 7,383                |
| Sale of other property                               |                      |                    |                    | 549                  |
| Operating transfers in                               | 205,333              | 1,179,991          | 783,455            | 2,076,428            |
| Operating transfers out                              | (1,728,254)          | (2,827,678)        | (3,804,102)        | (6,803,346)          |
| Other financing uses                                 |                      |                    | (712)              | (1,404)              |
| <b>Total Other Financing Sources (Uses)</b>          | <b>(1,518,429)</b>   | <b>(1,624,084)</b> | <b>(2,993,063)</b> | <b>(4,646,337)</b>   |
| <b>Net Change in Fund Balances</b>                   | <b>3,025,540</b>     | <b>1,923,337</b>   | <b>1,343,924</b>   | <b>(940,791)</b>     |
| Fund Balance, July 1 as previously reported          | 11,827,685           | 9,925,491          | 8,614,217          | 9,571,936            |
| Prior period adjustments                             | (102,674)            | (14,490)           | (33,500)           | -0-                  |
| Fund Balance, July 1, as restated                    | 11,725,011           | 9,911,001          | 8,580,717          | 9,571,936            |
| Increase (Decrease) in reserve for inventory         | (4,738)              | (6,653)            | 850                | (16,928)             |
| <b>Fund Balance, June 30</b>                         | <b>\$ 14,745,813</b> | <b>11,827,685</b>  | <b>9,925,491</b>   | <b>8,614,217</b>     |

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS  
LAST FOUR YEARS**

|  | 2015                 | 2014*             | 2013*             | "UNAUDITED"<br>2012* |
|--|----------------------|-------------------|-------------------|----------------------|
| <b>Revenues:</b>                                     |                      |                   |                   |                      |
| Local sources  | \$ 33,593,144        | 33,330,469        | 33,244,182        | 33,357,304           |
| State sources  | 33,060,254           | 32,320,034        | 32,881,368        | 32,492,528           |
| Federal sources                                      | 7,828,083            | 7,691,757         | 8,270,075         | 8,848,771            |
| <b>Total Revenues</b>                                | <b>74,481,481</b>    | <b>73,342,260</b> | <b>74,395,625</b> | <b>74,698,603</b>    |
| <b>Expenditures:</b>                                 |                      |                   |                   |                      |
| Instruction  | 38,252,401           | 38,291,956        | 38,938,137        | 40,458,053           |
| Support services                                     | 25,083,642           | 27,738,340        | 23,518,162        | 23,040,750           |
| Noninstructional services                            | 3,689,574            | 3,774,693         | 3,549,586         | 3,602,317            |
| Facilities acquisition and construction              | 3,326,494            | 823,147           | 647,909           | 675,538              |
| <b>Debt service:</b>                                 |                      |                   |                   |                      |
| Principal  | 4,394,618            | 4,943,942         | 5,291,385         | 5,524,889            |
| Interest   | 470,317              | 512,086           | 799,573           | 1,009,861            |
| Other  | 13,221               | 62,746            | 67,345            | 22,693               |
| <b>Total Expenditures</b>                            | <b>75,230,267</b>    | <b>76,146,910</b> | <b>72,812,097</b> | <b>74,334,101</b>    |
| Excess (Deficiency) of Revenues<br>over Expenditures | (748,786)            | (2,804,650)       | 1,583,528         | 364,502              |
| <b>Other Financing Sources (Uses):</b>               |                      |                   |                   |                      |
| Bonds and notes issued                               | 306,000              | 4,435,000         |                   | 3,000,000            |
| Proceeds of refunding bonds                          |                      |                   | 5,384,000         |                      |
| Payment to refunded bond escrow agent                |                      |                   | (5,319,073)       |                      |
| Insurance loss recoveries                            |                      | 23,603            | 24,663            | 74,053               |
| Sale of transportation equipment                     | 4,492                |                   | 3,633             | 7,383                |
| Sale of other property                               |                      |                   |                   | 549                  |
| Operating transfers in                               | 3,551,564            | 4,388,384         | 5,092,103         | 9,291,392            |
| Operating transfers out                              | (3,551,564)          | (4,388,384)       | (5,092,103)       | (9,291,392)          |
| Other financing uses                                 |                      |                   | (5,021)           | (31,455)             |
| <b>Total Other Financing Sources (Uses)</b>          | <b>310,492</b>       | <b>4,458,603</b>  | <b>88,202</b>     | <b>3,050,530</b>     |
| Extraordinary items                                  | 486,085              | 3,356,198         | -0-               | -0-                  |
| <b>Net Change in Fund Balances</b>                   | <b>47,791</b>        | <b>5,010,151</b>  | <b>1,671,730</b>  | <b>3,415,032</b>     |
| Fund Balance, July 1, as previously reported         | 28,212,948           | 23,192,806        | 21,562,828        | 18,156,342           |
| Prior period adjustments                             | (103,734)            | (14,490)          | (33,500)          | -0-                  |
| Fund Balance, July 1, as restated                    | 28,109,214           | 23,178,316        | 21,529,328        | 18,156,342           |
| Increase (Decrease) in reserve for inventory         | (29,759)             | 24,481            | (8,252)           | (8,546)              |
| <b>Fund Balance, June 30</b>                         | <b>\$ 28,127,246</b> | <b>28,212,948</b> | <b>23,192,806</b> | <b>21,562,828</b>    |

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**J.E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET  
POST OFFICE BOX 1280  
TUPELO, MISSISSIPPI 38802

(662) 842-2123  
FACSIMILE (662) 841-6809  
E-MAIL: [jev@jevance.com](mailto:jev@jevance.com)

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

Superintendent and School Board  
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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tupelo Public School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

Tupelo, MS  
November 15, 2015

A handwritten signature in cursive script that reads "J. E. Vance + Company". The signature is written in dark ink and is positioned to the right of the typed date.

**J.E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET  
POST OFFICE BOX 1280  
TUPELO, MISSISSIPPI 38802

(662) 842-2123  
FACSIMILE (662) 841-6809  
E-MAIL: jev@jevance.com

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

Superintendent and School Board  
Tupelo Public School District

**Report on Compliance for Each Major Federal Program**

We have audited Tupelo Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 of the District's compliance.

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

In our opinion, the 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, 2015.

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

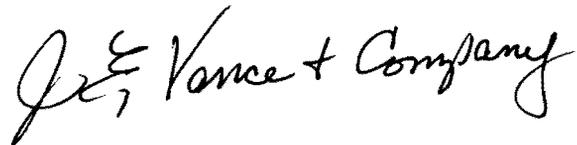
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Tupelo, MS  
November 15, 2015



**J.E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET  
POST OFFICE BOX 1280  
TUPELO, MISSISSIPPI 38802

(662) 842-2123  
FACSIMILE (662) 841-6809  
E-MAIL: [jev@jevance.com](mailto:jev@jevance.com)

**INDEPENDENT AUDITOR'S 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, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Tupelo, MS  
November 15, 2015

*J. E. Vance + Company*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2015**

**Section I: Summary of Auditor's Results**

Financial Statements:

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued:                      | Unmodified    |
| 2. Internal control over financial reporting:            |               |
| a. Material weakness(es) identified?                     | No            |
| b. Significant deficiency(ies) identified?               | None Reported |
| 3. Noncompliance material to 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 programs:  | Unmodified    |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No            |

7. Identification of major programs:

| <u>CFDA Numbers</u>       | <u>Name of Federal Program or Cluster</u> |
|---------------------------|---|
| 10.553, 10.555,<br>10.559 | Child Nutrition Cluster                   |
| 84.010                    | Title I, Part A                           |
| 84.027, 84.173            | Special Education Cluster                 |

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee?                                   | No        |

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR YEAR ENDED JUNE 30, 2015**

**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.



SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315 of OMB Circular A-133, Tupelo Public School District has prepared and hereby submits the following summary schedule of prior findings as of June 30, 2015.

| <u>Finding</u> | <u>Status</u> |
|----------------|---------------|
| 2014-5         | Completed     |
| 2014-6         | Completed     |
| 2014-7         | Completed     |
| 2014-8         | Completed     |