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TUPELO PUBLIC SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2016**

TUPELO PUBLIC SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	13
Exhibit B – Statement of Activities	14
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	15
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	17
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Fiduciary Fund Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	19
Exhibit F – Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	49
Budgetary Comparison Schedule - Title I-A 2015-2016 Fund	50
Schedule of the District's Proportionate Share of the Net Pension Liability	51
Schedule of District Contributions	52
Notes to the Required Supplementary Information	53
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	55
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	57
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund Last Four Years	59
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds Last Four Years	60
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	64
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	70

INDEPENDENT AUDITORS' REPORT



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Professional Limited Liability Company
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Tupelo Public School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2016, and the related notes to 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tupelo Public School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, on our consideration of the Tupelo Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tupelo Public School District's internal control over financial reporting and compliance.

Okolona, Mississippi
January 23, 2017

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 2016. 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 2016 decreased \$3,590,604, including a prior period adjustment of \$134,630, which represents a 100% decrease from fiscal year 2015. Total net position for 2015 decreased \$75,042,772, including a prior period adjustment of (\$81,477,509), which represents a 105% decrease from fiscal year 2014.
- General revenues amounted to \$65,670,807 and \$64,140,906, or 85% and 85% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,173,254, or 15% of total revenues for 2016 and \$11,003,764, or 15% of total revenues for 2015.
- The District had \$80,543,086 and \$69,196,018 in expenses for fiscal years 2016 and 2015; only \$11,173,254 for 2016 and \$11,003,764 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$65,670,807 for 2016 were not adequate to provide for these programs and \$64,140,906 for 2015 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$61,264,919 in revenues and \$54,696,637 in expenditures for 2016, and \$60,283,258 in revenues and \$55,739,289 in expenditures for 2015. The General Fund's fund balance increased by \$6,111,727, including a prior period adjustment of \$134,630, from 2015 to 2016, and increased by \$2,918,128, including a prior period adjustment of \$(102,674), from 2014 to 2015.
- Among major funds, the Title I-A 2015-2016 Fund had \$1,483,621 in revenues and \$1,393,647 in expenditures for 2016. The Title I-A 2015-2016 Fund's fund balance did not change from 2015 to 2016.
- Among major funds, the Bond Issue 2015 Capital Projects Fund had \$37,456 in revenues and \$11,311,335 in expenditures for 2016. The Bond Issue 2015 Capital Projects Fund's fund balance increased by \$23,321,519 from 2015 to 2016 due the issuance of \$34,100,000 of general obligation bonds less the expenditures of the bond issuance and the expenditures of capital projects.
- Capital assets, net of accumulated depreciation, increased by \$943,874 for 2016 and increased by \$1,657,448 for 2015. The increase for 2016 was due to construction projects.
- Long-term debt increased by \$29,907,828 for 2016 and decreased by \$4,276,669 for 2015. This increase for 2016 was due primarily to the issuance of \$34,100,000 of general obligation bonds. The liability for compensated absences decreased by \$28,911 for 2016 and decreased by \$44,646 for 2015.

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.

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows of resources, deferred inflows of resources, and liabilities with the differences reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

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:

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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.

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.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, the Schedule of the District's Proportionate Share of the Pension Liability, and the Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. For the governmental activities of the district, the liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,187,582, and for the component unit of the district, the assets exceeded liabilities by \$1,370,323, as of June 30, 2016.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	Governmental Activities		Percentage	Component Unit		Percentage
	2016	2015	Change	2016	2015	Change
Current assets	\$ 26,517,569	\$ 22,162,641	19.65 %	\$ 672,422	\$ 529,725	26.94 %
Restricted assets	33,395,901	6,401,736	421.67 %	-	-	N/A %
Capital assets, net	67,798,530	66,747,656	1.57 %	752,833	859,833	(12.44) %
Total assets	127,712,000	95,312,033	33.99 %	1,425,255	1,389,558	2.57 %
Total Deferred outflows of resources	15,778,360	7,418,718	112.68 %	-	-	N/A %
Current liabilities	3,717,194	589,040	531.06 %	54,932	70,852	(22.47) %
Long-term debt outstanding	48,411,304	17,676,645	173.87 %	-	-	N/A %
Net pension liability	94,974,124	75,678,935	25.50 %	-	-	N/A %
Total liabilities	147,102,622	93,944,620	56.58 %	54,932	70,852	(22.47) %
Total Deferred inflows of resources	3,575,320	12,383,109	(71.13) %	-	-	N/A %
Net position:						
Net investment in capital assets	45,842,832	49,769,192	(7.89) %	752,833	859,833	(12.44) %
Restricted	9,468,563	13,415,840	(29.42) %	-	-	N/A %
Unrestricted	(62,498,977)	(66,782,010)	6.41 %	617,490	458,873	34.57 %
Total net position	\$ (7,187,582)	\$ (3,596,978)	(99.82) %	\$ 1,370,323	\$ 1,318,706	3.91 %

Additional information on unrestricted net position:

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

	Governmental Activities	Component Unit
Total unrestricted net position (deficit)	\$ (62,498,977)	\$ 617,490
Effect of pension liability transactions:		
Net pension liability	94,974,124	-
Deferred outflows of resources from pension obligations	(15,669,973)	-
Deferred inflows of resources from pension obligations	3,575,320	-
Unrestricted net position exclusive of the net pension liability effect	<u>\$ 20,380,494</u>	<u>\$ 617,490</u>

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

- Increase in net capital assets in the amount of \$943,874 due to major construction projects.
- Increase in long-term debt outstanding of \$29,907,828 principally due to the issuance of \$34,100,000 of general obligation bonds.

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$76,844,061 and \$75,144,670, respectively. The total cost of all programs and services was \$80,543,086 for 2016 and \$69,196,018 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Table 2
Changes in Net Position

	Governmental Activities				Component Unit		
	Year Ended	Year Ended	Percentage		Year Ended	Year Ended	Percentage
	6/30/2016	6/30/2015	Change		6/30/2016	6/30/2015	Change
Revenues:							
Program revenues:							
Charges for services	\$ 1,112,597	\$ 1,473,760	(24.51) %	\$ 661,970	\$ 643,952	2.80 %	
Operating grants and contributions	9,116,988	8,620,053	5.76 %	-	-	N/A %	
Capital grants and contributions	281,699	265,999	5.90 %	-	-	N/A %	
General revenues:							
Property taxes	31,707,348	31,736,380	(0.09) %	-	-	N/A %	
Grants and contributions not restricted	33,497,524	32,002,286	4.67 %	-	-	N/A %	
Investment earnings	90,400	88,067	2.65 %	1,193	1,673	(28.69) %	
Other	361,795	294,939	22.67 %	12,547	17,561	(28.55) %	
Total revenues	76,168,351	74,481,484	2.26 %	675,710	663,186	1.89 %	
Expenses:							
Instruction	35,540,186	34,332,480	3.52 %	-	-	N/A %	
Support services	30,878,576	25,438,088	21.39 %	-	-	N/A %	
Non-instructional	3,289,797	3,663,299	(10.20) %	-	-	N/A %	
Pension expense	8,176,359	4,571,897	78.84 %	-	-	N/A %	
Interest on long-term liabilities	2,034,075	472,167	330.80 %	-	-	N/A %	
Learning Foundation	-	-	N/A %	624,093	718,087	(13.09) %	
Total expenses	79,918,993	68,477,931	16.71 %	624,093	718,087	(13.09) %	
Extraordinary Items	25,408	486,085	(94.77) %	-	-	N/A %	
Increase (Decrease) in net position	(3,725,234)	6,489,638	(157.40) %	51,617	(54,901)	194.02 %	
Net Position, July 1, as previously reported	(3,596,978)	71,428,412	(105.04) %	1,318,706	1,336,088	(1.30) %	
Prior Period Adjustment	134,630	(81,515,028)	100.17 %	-	37,519	(100.00) %	
Net Position, July 1, as restated	(3,462,348)	(10,086,616)	65.67 %	1,318,706	1,373,607	(4.00) %	
Net Position, June 30	\$ (7,187,582)	\$ (3,596,978)	(99.82) %	\$ 1,370,323	\$ 1,318,706	3.91 %	

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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
	2016	2015	Change
Instruction	\$ 35,540,186	\$ 34,332,480	3.52 %
Support services	30,878,576	25,438,088	21.39 %
Non-instructional	3,289,797	3,663,299	(10.20) %
Pension expense	8,176,359	4,571,897	78.84 %
Interest on long-term liabilities	2,034,075	472,167	330.80 %
Total expenses	\$ 79,918,993	\$ 68,477,931	16.71 %

	Net (Expense) Revenue		Percentage
	2016	2015	Change
Instruction	\$ (30,414,171)	\$ (29,558,670)	2.89 %
Support services	(28,911,132)	(23,394,197)	23.58 %
Non-instructional	128,028	(121,188)	(205.64) %
Pension expense	(8,176,359)	(4,571,897)	78.84 %
Interest on long-term liabilities	(2,034,075)	(472,167)	330.80 %
Total net (expense) revenue	\$ (69,407,709)	\$ (58,118,119)	(19.43) %

- Net cost of governmental activities (\$69,407,709 for 2016 and \$58,118,119 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$31,707,348 for 2016 and \$31,736,380 for 2015) and state and federal revenues (\$33,497,524 for 2016 and \$32,002,286 for 2015).
- Investment earnings amounted to \$90,400 for 2016 and \$88,067 for 2015.

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 \$57,240,145, an increase of \$29,112,899, which includes a decrease in inventory of \$19,588. \$20,578,395 or 36% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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 \$36,661,750 or 64% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$6,111,727. The fund balance of Other Governmental Funds showed a decrease in the amount of \$320,347, which includes a decrease in reserve for inventory of \$13,659. 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 2015-2016 Fund	\$ no increase or decrease
Bond Issue 2015 Capital Projects Fund	\$ 23,321,519

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$114,422,309, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$2,962,705 from 2015. Total accumulated depreciation as of June 30, 2016, was \$45,870,946, and total depreciation expense for the year was \$3,083,401, resulting in total net capital assets of \$68,551,363.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Percentage Change</u>
Land	\$ 4,122,182	\$ 4,122,182	0.00 %
Construction in Progress	1,965,076	114,177	1,621.08 %
Buildings	43,861,731	45,253,487	(3.08) %
Building improvements	12,418,015	13,242,975	(6.23) %
Improvements other than buildings	2,199,193	2,281,257	(3.60) %
Mobile equipment	3,288,225	2,041,723	61.05 %
Furniture and equipment	696,941	551,688	26.33 %
Total	\$ 68,551,363	\$ 67,607,489	1.40 %

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

TUPELO PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Debt Administration. At June 30, 2016, the District had \$47,584,473 in outstanding long-term debt, of which \$3,132,427 is due within one year. The liability for compensated absences decreased \$28,911 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 34,148,000	\$ 3,183,000	972.82 %
Unamortized premium	-	46,655	(100.00) %
Limited obligation bonds payable	764,000	1,516,000	(49.60) %
Three mill notes payable	1,715,000	1,810,000	(5.25) %
Obligations under energy efficiency leases	45,427	180,033	(74.77) %
Qualified school construction bonds payable	10,435,000	10,435,000	0.00 %
Compensated absences payable	477,046	505,957	(5.71) %
Total	<u>\$ 47,584,473</u>	<u>\$ 17,676,645</u>	169.19 %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Tupelo Public School District, P.O. Box 557, Tupelo, Mississippi, 38802.

FINANCIAL STATEMENTS

Tupelo Public School District
Statement of Net Position
June 30, 2016

Exhibit A

	Primary Government Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
Assets			
Cash and cash equivalents	\$ 24,359,581	598,182	24,957,763
Cash with fiscal agents	-	52,649	52,649
Due from other governments, net	1,946,244		1,946,244
Accrued interest receivable	2,305		2,305
Other receivables, net	200	21,591	21,791
Inventories	122,438		122,438
Prepaid items	86,801		86,801
Restricted assets	33,395,901		33,395,901
Capital assets, non-depreciable:			-
Land	3,922,182	200,000	4,122,182
Construction in progress	1,965,076		1,965,076
Capital assets, net of accumulated depreciation:			-
Buildings	43,308,898	552,833	43,861,731
Building improvements	12,418,015		12,418,015
Improvements other than buildings	2,199,193		2,199,193
Mobile equipment	3,288,225		3,288,225
Furniture and equipment	696,941		696,941
Total Assets	<u>127,712,000</u>	<u>1,425,255</u>	<u>129,137,255</u>
Deferred Outflows of Resources			
Deferred amount on refunding	108,387		108,387
Deferred outflows of resources related to pensions	15,669,973		15,669,973
Total Deferred Outflows of Resources	<u>15,778,360</u>	<u>-</u>	<u>15,778,360</u>
Liabilities			
Accounts payable and accrued liabilities	2,673,325	54,932	2,728,257
Interest payable on long-term liabilities	1,043,869		1,043,869
Long-term liabilities, due within one year:			
Capital related liabilities	3,132,427		3,132,427
Long-term liabilities, due beyond one year:			
Capital related liabilities	43,975,000		43,975,000
Capital related bond premiums	826,831		826,831
Non-capital related liabilities	477,046		477,046
Net pension liability	94,974,124		94,974,124
Total Liabilities	<u>147,102,622</u>	<u>54,932</u>	<u>147,157,554</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	3,575,320		3,575,320
Total Deferred Inflows of Resources	<u>3,575,320</u>	<u>-</u>	<u>3,575,320</u>
Net Position			
Net investment in capital assets	45,842,832	752,833	46,595,665
Restricted for:			
Expendable:			
School-based activities	451,412		451,412
Debt service	6,576,515		6,576,515
Capital improvements	2,296,218		2,296,218
Unemployment benefits	144,418		144,418
Unrestricted	(62,498,977)	617,490	(61,881,487)
Total Net Position	<u>\$ (7,187,582)</u>	<u>1,370,323</u>	<u>(5,817,259)</u>

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

Tupelo Public School District
Statement of Activities
For The Year Ended June 30, 2016

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component		Total Reporting Entity
					Primary Governmental Activities	Unit Learning Foundation	
Governmental Activities:							
Instruction	\$ 35,540,186	491,615	4,588,549	45,851	(30,414,171)		(30,414,171)
Support services	30,878,576	4,239	1,727,357	235,848	(28,911,132)		(28,911,132)
Non-instructional	3,289,797	616,743	2,801,082		128,028		128,028
Pension expense	8,176,359				(8,176,359)		(8,176,359)
Interest on long-term liabilities	2,034,075				(2,034,075)		(2,034,075)
Total Governmental Activities	<u>\$ 79,918,993</u>	<u>1,112,597</u>	<u>9,116,988</u>	<u>281,699</u>	<u>(69,407,709)</u>		<u>(69,407,709)</u>
Total Component Unit	<u>\$ 624,093</u>	<u>661,970</u>				<u>37,877</u>	<u>37,877</u>
General Revenues:							
Taxes:							
General purpose levies					\$ 27,120,767		27,120,767
Debt purpose levies					4,586,581		4,586,581
Unrestricted grants and contributions:							
State					32,560,168		32,560,168
Federal					937,356		937,356
Unrestricted investment earnings					90,400	1,193	91,593
Other					361,795	12,547	374,342
Total General Revenues					<u>65,657,067</u>	<u>13,740</u>	<u>65,670,807</u>
Extraordinary items							
Insurance loss recoveries - tornado damage					25,408		25,408
Total General Revenues and Extraordinary Items					<u>65,682,475</u>	<u>13,740</u>	<u>65,696,215</u>
Change in Net Position					<u>(3,725,234)</u>	<u>51,617</u>	<u>(3,673,617)</u>
Net Position - Beginning, as previously reported					<u>(3,596,978)</u>	<u>1,318,706</u>	<u>(2,278,272)</u>
Prior Period Adjustments					<u>134,630</u>		<u>134,630</u>
Net Position - Beginning, as restated					<u>(3,462,348)</u>	<u>1,318,706</u>	<u>(2,143,642)</u>
Net Position - Ending					<u>\$ (7,187,582)</u>	<u>\$ 1,370,323</u>	<u>(5,817,259)</u>

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

Tupelo Public School District
Governmental Funds
Balance Sheet
June 30, 2016

Exhibit C

	Major Funds				
	General	Title I-A	Bond Issue	Other	Total
	Fund	2015-2016	2015 Capital	Governmental	Governmental
	Fund	Fund	Projects Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 18,917,524	-	1,533,019	10,879,575	\$ 31,330,118
Cash with fiscal agents	-	-	10,300,000	2,088,210	12,388,210
Investments	-	-	14,037,154	-	14,037,154
Due from other governments	1,163,163	379,705	-	585,656	2,128,524
Allowance for doubtful accounts	(182,280)	-	-	-	(182,280)
Accrued interest receivable	-	-	-	2,305	2,305
Other receivables, net	200	-	-	-	200
Due from other funds	878,178	-	-	-	878,178
Inventories	19,989	-	-	102,449	122,438
Prepaid items	86,801	-	-	-	86,801
Total assets	\$ 20,883,575	379,705	25,870,173	13,658,195	\$ 60,791,648
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 26,035	-	2,548,654	98,636	\$ 2,673,325
Due to other funds	-	379,705	-	498,473	878,178
Total Liabilities	26,035	379,705	2,548,654	597,109	3,551,503
Fund Balances:					
Nonspendable:					
Inventory	19,989	-	-	102,449	122,438
Prepaid items	86,801	-	-	-	86,801
Restricted:					
Debt service	-	-	-	7,620,384	7,620,384
Capital improvements	-	-	-	4,844,872	4,844,872
Unemployment benefits	-	-	-	144,418	144,418
Child nutrition	-	-	-	268,311	268,311
Other purposes	-	-	-	80,652	80,652
Committed:					
Capital improvements	-	-	23,321,519	-	23,321,519
Assigned:					
School activities	172,355	-	-	-	172,355
Unassigned					
	20,578,395	-	-	-	20,578,395
Total Fund Balances	20,857,540	-	23,321,519	13,061,086	57,240,145
Total Liabilities and Fund Balances	\$ 20,883,575	379,705	25,870,173	13,658,195	\$ 60,791,648

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

**Tupelo Public School District
Governmental Funds**

Exhibit C-1

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Total fund balances for governmental funds \$ 57,240,145

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	1,965,076	
Buildings	68,432,529	
Building improvements	20,623,992	
Improvements other than buildings	3,507,893	
Mobile equipment	7,351,377	
Furniture and equipment	5,180,417	
Accumulated depreciation	<u>(43,184,936)</u>	67,798,530

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 108,387

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

Net pension liability (94,974,124)

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	15,669,973	
Deferred inflows of resources related to pensions	<u>(3,575,320)</u>	(82,879,471)

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

General obligation bonds	\$ (34,148,000)	
Limited obligation bonds	(764,000)	
Three mill notes payable	(1,715,000)	
Obligations under energy efficiency lease	(45,427)	
Qualified school construction bonds	(10,435,000)	
Compensated absences	(477,046)	
Unamortized bond premiums	(826,831)	
Accrued interest payable	<u>(1,043,869)</u>	(49,455,173)

Net position of governmental activities \$ (7,187,582)

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

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For The Year Ended June 30, 2016

	Major Funds				
	General Fund	Title I-A 2015-2016 Fund	Bond Issue 2015 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 27,791,500	-	37,456	5,433,933	\$ 33,262,889
State sources	32,574,680	-	-	1,584,285	34,158,965
Federal sources	898,739	1,483,621	-	6,354,884	8,737,244
Total Revenues	61,264,919	1,483,621	37,456	13,373,102	76,159,098
Expenditures:					
Instruction	32,395,649	1,290,461	1,138,421	4,063,436	38,887,967
Support services	22,175,320	96,154	7,673,777	2,664,591	32,609,842
Noninstructional services	125,668	7,032	-	3,391,283	3,523,983
Facilities acquisition and construction	-	-	1,671,392	208,010	1,879,402
Debt service:					
Principal	-	-	-	4,116,606	4,116,606
Interest	-	-	-	303,965	303,965
Other	-	-	827,745	5,437	833,182
Total Expenditures	54,696,637	1,393,647	11,311,335	14,753,328	82,154,947
Excess (Deficiency) of Revenues over (under) Expenditures	6,568,282	89,974	(11,273,879)	(1,380,226)	(5,995,849)
Other Financing Sources (Uses):					
Proceeds of general obligation bonds	-	-	34,100,000	-	34,100,000
Premium on bond issuance	-	-	859,045	-	859,045
Insurance recoveries	25,408	-	-	-	25,408
Payment held by QSCB escrow agent	-	-	-	474,849	474,849
Payment to QSCB bond escrow agent	-	-	-	(474,849)	(474,849)
Sale of transportation equipment	9,253	-	-	-	9,253
Operating transfers in	258,870	-	-	4,095,922	4,354,792
Operating transfers out	(878,787)	(89,974)	(363,647)	(3,022,384)	(4,354,792)
Total Other Financing Sources (Uses)	(585,256)	(89,974)	34,595,398	1,073,538	34,993,706
Net Change in Fund Balances	5,983,026	-	23,321,519	(306,688)	28,997,857
Fund Balances:					
July 1, 2015, as previously reported	14,745,813	-	-	13,381,433	28,127,246
Prior period adjustments	134,630	-	-	-	134,630
July 1, 2015, as restated	14,880,443	-	-	13,381,433	28,261,876
Increase (Decrease) in reserve for inventory	(5,929)	-	-	(13,659)	(19,588)
June 30, 2016	\$ 20,857,540	-	23,321,519	13,061,086	\$ 57,240,145

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

Tupelo Public School District
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2016

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 28,997,857**

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

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

Capital outlay	\$	4,077,885	
Depreciation expense		(2,976,401)	1,101,484

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. (50,610)

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

Bonds and notes issued	(34,100,000)		
Premiums on bonds issued	(859,045)		
Amortization of premiums on bonds issued	78,869		
Amortization of deferred refunding costs	(83,837)		
Payments of debt principal	4,116,606		(30,847,407)

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

Change in compensated absences	28,911		
Change in inventory reserve	(19,588)		
Change in accrued interest payable	(891,960)		
District pension contributions	6,132,438		
Pension expense	(8,176,359)		(2,926,558)

Change in net position of governmental activities	\$	(3,725,234)
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The accompanying notes to financial statements are an integral part of these financial statements.

Tupelo Public School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 161,598	\$ 2,127,464
Total Assets	<u>161,598</u>	<u>2,127,464</u>
Liabilities		
Accounts payable and accrued liabilities	-	2,073,041
Due to student clubs	-	54,423
Total Liabilities	<u>-</u>	<u>\$ 2,127,464</u>
Net Assets		
Reserved for endowments	125,000	
Held in trust	36,598	
Total Net Position	<u>\$ 161,598</u>	

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

Tupelo Public School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
June 30, 2016

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest and dividends	\$ 330
Transfers in	300
Total Additions	<u>630</u>
Deductions	
Scholarships awarded	<u>2,000</u>
Total Deductions	<u>2,000</u>
Change in Net Position	(1,370)
Net Position	
July 1, 2015	<u>162,968</u>
June 30, 2016	<u><u>161,598</u></u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

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

a. Financial Reporting Entity

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

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

Discretely Presented Component Unit

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

b. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

The school district reports the following major governmental funds:

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

Title I-A 2015-2016 Fund – This is a special revenue fund that is used to account for transactions related to Part A of the Elementary and Secondary Education Act that provides assistance to local educational agencies and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state and academic standards.

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

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

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

The District's fiduciary funds include the following:

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

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

d. Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

e. Assets, liabilities, and net position/fund balances

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments

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

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

Investments for the district, as well as for its component units, are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

8. Compensated Absences

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

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

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

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

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

10. Pensions

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

11. Fund Balances

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

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

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

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

f. Use of Estimates

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

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, discretely presented component units, and fiduciary funds was \$31,330,118, \$598,182, and \$2,289,062, 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 FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, none of the district's bank balance of \$46,404,744 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions in governmental funds and the discretely presented component unit was \$12,388,210 and \$52,649, respectively.

Investments

As of June 30, 2016, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
US Treasury Notes	AAAm	1-2 years	\$ 14,037,154
			<u>\$ 14,037,154</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

The district has the following recurring fair value measurements as of June 30, 2016:

- US Treasury Notes of \$14,037,154 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A 2015-2016 Fund	\$ 379,705
General Fund	Other Governmental Funds	498,473
		<u>\$ 878,178</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 878,787
Title I-A 2015-2016 Fund	General Fund	47,666
Title I-A 2015-2016 Fund	Other Governmental Funds	42,308
Bond Issue Capital Projects	General Fund	32,634
Bond Issue Capital Projects	Other Governmental Funds	331,013
Other Governmental Funds	General Fund	178,570
Other Governmental Funds	Other Governmental Funds	2,843,814
		<u>\$ 4,354,792</u>

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

Note 4 – Restricted Assets

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

Funds with Restricted Balances	Account	Amount
Bond Issue 2015 Capital Projects	Cash and Cash Equivalents	\$ 1,533,019
STN 2011 Retirement Fund	Cash and Cash Equivalents	509,218
STN 2005 Retirement Fund	Cash and Cash Equivalents	106,264
BI 1999 Retirement Fund	Cash and Cash Equivalents	3,875,751
QSCB Retirement Fund - 2010	Cash and Cash Equivalents	154,919
QSCB Retirement Fund - 2011	Cash and Cash Equivalents	674,220
QSCB Retirement Fund - 2013	Cash and Cash Equivalents	117,146
Total Restricted Cash and Cash Equivalents		<u>6,970,537</u>
Bond Issue 2015 Capital Projects	Cash with Fiscal Agents	10,300,000
QSCB Retirement Fund - 2010	Cash with Fiscal Agents	850,019
QSCB Retirement Fund - 2011	Cash with Fiscal Agents	848,189
QSCB Retirement Fund - 2013	Cash with Fiscal Agents	390,002
Total Restricted Cash with Fiscal Agents		<u>12,388,210</u>
Bond Issue 2015 Capital Projects	Investments	14,037,154
Total Restricted Investments		<u>14,037,154</u>
Total Restricted Assets		<u>\$ 33,395,901</u>

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 5 – Other Receivables

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

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

	Amount
Governmental activities	
Laptop funds due to school	\$ 200
Total Other Receivables, Net - Governmental Activities	\$ 200
Component Unit:	
Learning Foundation:	
Due from tenants	\$ 403,396
Less: Allowance for uncollectible accounts	(381,805)
Total Other Receivables, Net - Component Unit	\$ 21,591

Note 6 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 3,922,182	-	-	\$ 3,922,182
Constuction in progress	114,177	1,850,899	-	1,965,076
Total non-depreciable capital assets	4,036,359	1,850,899	-	5,887,258
<u>Depreciable capital assets:</u>				
Buildings	68,491,439	-	58,910	68,432,529
Building improvements	20,623,992	-	-	20,623,992
Improvements other than buildings	3,479,389	28,504	-	3,507,893
Mobile equipment	5,893,815	1,739,344	281,782	7,351,377
Furniture and equipment	5,495,767	459,138	774,488	5,180,417
Total depreciable capital assets	103,984,402	2,226,986	1,115,180	105,096,208
<u>Less accumulated depreciation for:</u>				
Buildings	23,897,785	1,272,974	47,128	25,123,631
Building improvements	7,381,017	824,960	-	8,205,977
Improvements other than buildings	1,198,132	110,568	-	1,308,700
Mobile equipment	3,852,092	464,664	253,604	4,063,152
Furniture and equipment	4,944,079	303,235	763,838	4,483,476
Total accumulated depreciation	41,273,105	2,976,401	1,064,570	43,184,936
Total depreciable capital assets, net	62,711,297	(749,415)	50,610	61,911,272
Governmental activities capital assets, net	\$ 66,747,656	1,101,484	50,610	\$ 67,798,530

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 6 – Capital Assets (Continued)

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

Component Unit:	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
<u>Non-depreciable capital assets:</u>				
Land	\$ 200,000			\$ 200,000
Total non-depreciable capital assets	200,000	-	-	200,000
<u>Depreciable capital assets:</u>				
Buildings	3,210,000			3,210,000
Furniture and equipment	28,843			28,843
Total depreciable capital assets	3,238,843	-	-	3,238,843
<u>Less accumulated depreciation for:</u>				
Buildings	2,550,167	107,000		2,657,167
Furniture and equipment	28,843			28,843
Total accumulated depreciation	2,579,010	107,000	-	2,686,010
Total depreciable capital assets, net	659,833	(107,000)	-	552,833
Governmental activities capital assets, net	\$ 859,833	(107,000)	-	\$ 752,833

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 632,510
Support services	2,333,350
Non-instructional	10,541
Total depreciation expense-governmental activities	\$ 2,976,401
Component Unit:	
Learning Foundation	\$ 107,000
Total depreciation expense-component unit	\$ 107,000

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 6 – Capital Assets (Continued)

Commitments under construction contracts at June 30, 2016 are summarized as follows:

Governmental Activities:	Spent to June 30, 2016	Remaining Commitment
Tupelo Middle School Expansion	\$ 453,039	\$ 1,069,131
Early Childhood Education Center Expansion	1,218,353	979,767
Carver Safe Shelter	42,902	1,112
Joyner Safe Shelter	45,740	637,702
Thomas Street Safe Shelter	45,963	663,496
Tupelo High School Safe Shelter	159,079	6,404,963
Total governmental activities	<u>\$ 1,965,076</u>	<u>\$ 9,756,171</u>

Construction projects included in governmental activities are funded with General Obligation 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:

Description	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
a. General obligation bonds payable	\$ 3,183,000	34,100,000	3,135,000	34,148,000	2,223,000
b. Limited obligations bonds payable	1,516,000		752,000	764,000	764,000
c. Three mill notes payable	1,810,000		95,000	1,715,000	100,000
d. Obligations under energy efficiency leases	180,033		134,606	45,427	45,427
e. Qualified school construction bonds	10,435,000			10,435,000	
f. Compensated absences payable	505,957		28,911	477,046	
Total	17,629,990	34,100,000	4,145,517	47,584,473	3,132,427
Premiums	46,655	859,045	78,869	826,831	
Total	<u>\$ 17,676,645</u>	<u>34,959,045</u>	<u>4,224,386</u>	<u>48,411,304</u>	<u>3,132,427</u>

a. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2012	1.29%	7/12/2012	9/15/2016	\$ 1,656,000	\$ 48,000
2. General obligation bonds, Series 2015	3.00-4.00%	9/1/2015	9/1/2035	34,100,000	34,100,000
Total				<u>\$ 35,756,000</u>	<u>\$ 34,148,000</u>

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 7 – Long-term Liabilities (Continued)

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

1. General obligation refunding bonds, Series 2012

Year Ending			
June 30	Principal	Interest	Total
2017	\$ 48,000	310	48,310
Total	\$ 48,000	310	48,310

This debt will be retired from the L/P 1999 Retirement Fund.

2. General obligation bonds, Series 2015

Year Ending			
June 30	Principal	Interest	Total
2017	\$ 2,175,000	1,634,400	3,809,400
2018	900,000	1,032,600	1,932,600
2019	825,000	1,006,725	1,831,725
2020	850,000	981,600	1,831,600
2021	910,000	955,200	1,865,200
2022-2026	7,250,000	4,140,000	11,390,000
2027-2031	8,535,000	2,784,953	11,319,953
2032-2036	12,655,000	1,015,028	13,670,028
Total	\$ 34,100,000	13,550,506	47,650,506

This debt will be retired from the BI 2015 Retirement Fund.

Total general obligation bond payment for all issues:

Year Ending			
June 30	Principal	Interest	Total
2017	\$ 2,223,000	1,634,710	3,857,710
2018	900,000	1,032,600	1,932,600
2019	825,000	1,006,725	1,831,725
2020	850,000	981,600	1,831,600
2021	910,000	955,200	1,865,200
2022-2026	7,250,000	4,140,000	11,390,000
2027-2031	8,535,000	2,784,953	11,319,953
2032-2036	12,655,000	1,015,028	13,670,028
Total	\$ 34,148,000	13,550,816	47,698,816

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 7 – Long-term Liabilities (Continued)

On September 1, 2015, the district issued \$34,100,000 of general obligation bonds with a bond premium of \$859,045. The district received net proceeds of \$34,131,300 from the bonds after payments of \$827,745 for debt issuance costs.

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, 2016, the amount of outstanding bonded indebtedness was equal to 6% of property assessments as of October 1, 2015.

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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited obligation refunding bonds, Series 2012	1.20-1.80%	7/12/2012	6/1/2017	\$ 1,864,000	\$ 382,000
2. Limited obligation refunding bonds, Series 2012	1.20-1.80%	7/12/2012	6/1/2017	1,864,000	382,000
Total				<u>\$ 3,728,000</u>	<u>\$ 764,000</u>

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

1. Limited obligation refunding bonds, Series 2012

Year Ending June 30	Principal	Interest	Total
2017	\$ 382,000	6,876	388,876
Total	<u>\$ 382,000</u>	<u>6,876</u>	<u>388,876</u>

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

2. Limited obligation refunding bonds, Series 2012

Year Ending June 30	Principal	Interest	Total
2017	\$ 382,000	6,876	388,876
Total	<u>\$ 382,000</u>	<u>6,876</u>	<u>388,876</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 7 – Long-term Liabilities (Continued)

Total limited obligation bond payment for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 764,000	13,752	777,752
Total	\$ 764,000	13,752	777,752

c. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax note, Series 2011	3.04%	5/19/2011	9/1/2020	\$ 2,275,000	1,715,000
Total				\$ 2,275,000	1,715,000

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

1. Limited tax note, Series 2011

Year Ending June 30	Principal	Interest	Total
2017	\$ 100,000	50,616	150,616
2018	275,000	44,916	319,916
2019	525,000	32,756	557,756
2020	475,000	17,556	492,556
2021	340,000	5,168	345,168
Total	\$ 1,715,000	151,012	1,866,012

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

d. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Energy efficiency lease	3.92%	1/23/2016	12/23/2016	\$ 1,116,762	\$ 45,427
Total				\$ 1,116,762	\$ 45,427

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 7 – Long-term Liabilities (Continued)

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

1. Energy efficiency lease

Year Ending			
June 30	Principal	Interest	Total
2017	\$ 45,427	565	45,992
Total	\$ 45,427	565	45,992

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 to 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.

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:

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

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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 7 – Long-term Liabilities (Continued)

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

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

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

1. Qualified school construction bonds payable, Series 2010

Year Ending June 30	Principal	Interest	Total
2017	\$ -	25,200	25,200
2018	-	25,200	25,200
2019	-	25,200	25,200
2020	-	25,200	25,200
2021	-	25,200	25,200
2022-2025	3,000,000 *	100,800	3,100,800
Total	\$ 3,000,000	226,800	3,226,800

* Payable from sinking fund, see Note 14.

2. Qualified school construction bonds payable, Series 2011

Year Ending June 30	Principal	Interest	Total
2017	\$ -	138,000	138,000
2018	-	138,000	138,000
2019	-	138,000	138,000
2020	-	138,000	138,000
2021	-	138,000	138,000
2022-2026	3,000,000 *	690,000	3,690,000
Total	\$ 3,000,000	1,380,000	4,380,000

* Payable from sinking fund, see Note 14.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 7 – Long-term Liabilities (Continued)

3. Qualified school construction bonds payable, Series 2013

Year Ending			
June 30	Principal	Interest	Total
2017	\$ -	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2028	4,435,000 *	-	4,435,000
Total	\$ 4,435,000	-	4,435,000

* Payable from sinking fund, see Note 14.

Total qualified school construction bond payments for all issues:

Year Ending			
June 30	Principal	Interest	Total
2017	\$ -	163,200	163,200
2018	-	163,200	163,200
2019	-	163,200	163,200
2020	-	163,200	163,200
2021	-	163,200	163,200
2022-2026	6,000,000 *	790,800	6,790,800
2027-2028	4,435,000 *	-	4,435,000
Total	\$ 10,435,000	1,606,800	12,041,800

* Payable from sinking fund, see Note 14.

f. Compensated absences payable

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

Note 8 – Prior Year Defeasance of Debt

In prior years, the Tupelo Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2016, \$2,800,000 of bonds outstanding are defeased.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 9 – Other Commitments

Commitments under construction contracts are described in Note 6.

Operating Leases

The school district has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2016 amounted to \$246,865. Future minimum lease payments for these copier leases are as follows:

Year Ending June 30	Amount
2017	\$ 180,705
Total	\$ 180,705

Note 10 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 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.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 10 – Defined Benefit Pension Plan (Continued)

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, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$6,132,438, \$6,045,925, and \$6,000,405, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school district reported a liability of \$94,974,124 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.6144 percent, which was based on a measurement date of June 30, 2015. This was an decrease of 0.0091 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$8,176,359. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,217,507	\$
Net difference between projected and actual earnings on pension plan investments		2,670,662
Changes of assumptions	5,982,314	
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	1,337,714	904,658
Entity's contributions subsequent to the measurement date	6,132,438	
Total	\$ <u>15,669,973</u>	\$ <u>3,575,320</u>

\$6,132,438 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 10 – Defined Benefit Pension Plan (Continued)

Year Ending June 30,	
2017	1,791,668
2018	1,810,051
2019	971,245
2020	1,389,251
Total	<u>5,962,215</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	<u>1</u>	(0.50)
Total	<u>100 %</u>	

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 10 – Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	\$ 125,184,596	\$ 94,974,124	\$ 69,905,080

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To correct beginning cash balance	\$ 134,630
Total prior period adjustment	\$ 134,630

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

Fund	Explanation	Amount
General Fund	To correct beginning cash balance	\$ 134,630
	Total prior period adjustment	\$ 134,630

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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 years.

Under Governmental Accounting Standards Board Statement Number 10: *Accounting and Financial Reporting for Risks Financial and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report; there were no known claims above the amount of coverage purchased for risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters at June 30, 2016; therefore no liability has been accrued at this time.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Worker's Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' 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 MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000 MSBAWCT has insurance which will pay the excess 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 member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 14 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The district received \$128,616 of subsidy payments during the June 30, 2016 fiscal year.

The school district makes equal annual payments into a sinking fund which is used to payoff 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, 2016 was \$2,088,210. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

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

Year Ending		Amount
June 30		
2017	\$	489,000
2018		989,000
2019		854,000
2020		854,000
2021		855,000
2022-2026		3,703,000
2027-2028		595,000
Total	\$	<u>8,339,000</u>

TUPELO PUBLIC SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

Note 15 – Insurance Loss Recoveries

The school district received \$25,407 in insurance loss recoveries during the 2015-2016 fiscal year. In the government-wide Statement of Activities, these insurance loss recoveries are reported as an extraordinary item.

Description	Primary Government	Reporting Entity
Extraordinary Items:		
Insurance loss recoveries - tornado damage	\$ 25,408	25,408
	<u>\$ 25,408</u>	<u>25,408</u>

Note 16 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tupelo Public School District evaluated the activity of the District through January 23, 2017, (the date the financial statements were available to be issued), and determined no subsequent events have occurred that would require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Tupelo Public School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 27,141,615	\$ 27,258,216	\$ 27,791,500	\$ 116,601	\$ 533,284
State sources	32,785,012	32,717,360	32,574,680	(67,652)	(142,680)
Federal sources	1,392,837	1,391,435	898,739	(1,402)	(492,696)
Total Revenues	61,319,464	61,367,011	61,264,919	47,547	(102,092)
Expenditures:					
Instruction	35,807,082	35,434,184	32,395,649	372,898	3,038,535
Support services	24,878,745	25,250,955	22,175,320	(372,210)	3,075,635
Noninstructional services	138,389	138,531	125,668	(142)	12,863
Total Expenditures	60,824,216	60,823,670	54,696,637	546	6,127,033
Excess (Deficiency) of Revenues over (under) Expenditures	495,248	543,341	6,568,282	48,093	6,024,941
Other Financing Sources (Uses):					
Insurance recoveries	-	25,407	25,408	25,407	1
Sale of transportation equipment	-	-	9,253	-	9,253
Operating transfers in	6,685,722	6,968,920	258,870	283,198	(6,710,050)
Operating transfers out	(7,452,150)	(7,566,986)	(878,787)	(114,836)	6,688,199
Total Other Financing Sources (Uses)	(766,428)	(572,659)	(585,256)	193,769	(12,597)
Net Change in Fund Balances	(271,180)	(29,318)	5,983,026	241,862	6,012,344
Fund Balances:					
July 1, 2015, as previously reported	14,745,813	14,745,813	14,745,813	-	-
Prior period adjustments	-	-	134,630	-	134,630
July 1, 2015, as restated	14,745,813	14,745,813	14,880,443	-	134,630
Increase (Decrease) in reserve for inventory	-	-	(5,929)	-	(5,929)
June 30, 2016	\$ 14,474,633	\$ 14,716,495	\$ 20,857,540	\$ 241,862	\$ 6,141,045

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

Tupelo Public School District
Required Supplementary Information
Budgetary Comparison Schedule
Title I-A 2015-2016 Fund
For The Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	-	3,312,863	1,483,621	3,312,863	(1,829,242)
Total Revenues	-	3,312,863	1,483,621	3,312,863	(1,829,242)
Expenditures:					
Instruction	-	1,866,794	1,290,461	(1,866,794)	576,333
Support services	-	164,787	96,154	(164,787)	68,633
Noninstructional services	-	30,568	7,032	(30,568)	23,536
Total Expenditures	-	2,062,149	1,393,647	(2,062,149)	668,502
Excess (Deficiency) of Revenues over (under) Expenditures	-	1,250,714	89,974	1,250,714	(1,160,740)
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(133,152)	(89,974)	(133,152)	43,178
Total Other Financing Sources (Uses)	-	(133,152)	(89,974)	(133,152)	43,178
Net Change in Fund Balances	-	1,117,562	-	1,117,562	(1,117,562)
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ 1,117,562	\$ -	\$ 1,117,562	\$ (1,117,562)

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

Tupelo Public School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.6144%	0.6235%
District's proportionate share of the net pension liability	\$ 94,974,124	75,678,935
District's covered-employee payroll	\$ 38,386,820	38,097,852
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.41%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Tupelo Public School District
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required obligation	\$ 6,132,438	6,045,925
Contribution in relation to the contractually required contribution	6,132,438	6,045,925
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
District's covered-employee payroll	38,936,119	38,386,820
Contributions as a percentage of its covered-employee payroll	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and revisions.

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

Pension Schedules

(1) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

Tupelo Public School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 875,740
National school lunch program	10.555	2,077,716
Summer food program	10.559	135,018
Total child nutrition cluster		<u>3,088,474</u>
Child and adult care food program	10.558	3,980
Total passed-through Mississippi Department of Education		<u>3,092,454</u>
Total U.S. Department of Agriculture		<u>3,092,454</u>
<u>National Endowment for the Arts</u>		
Passed-through Mississippi Arts Commission:		
Promotion of the arts - partnership agreements	45.025	3,000
Total National Endowment for the Arts		<u>3,000</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	2,523,736
Vocational Rehabilitation Grants to states	84.048	70,363
Education for homeless children and youth	84.196	40,117
English language acquisition grants	84.365	69,686
Improving teacher quality state grants	84.367	334,917
Subtotal		<u>3,038,819</u>
Special education cluster:		
Special education - grants to states	84.027	1,553,425
Special education - preschool grants	84.173	79,908
Total special education cluster		<u>1,633,333</u>
Total passed-through Mississippi Department of Education		<u>4,672,152</u>
Total U.S. Department of Education		<u>4,672,152</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	23,599
Total U.S. Department of Health and Human Services		<u>23,599</u>
Total for All Federal Awards		<u>\$ 7,791,205</u>

The accompanying notes are an integral part of this schedule.

TUPELO PUBLIC SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Tupelo Public School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Tupelo Public School District it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Tupelo Public School District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements. The Tupelo Public School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Tupelo Public School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For The Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 52,834,915	41,506,820	2,245,399	3,312,970	5,769,726
Other	29,320,032	6,704,723	590,075	61,448	21,963,786
Total	<u>\$ 82,154,947</u>	<u>48,211,543</u>	<u>2,835,474</u>	<u>3,374,418</u>	<u>27,733,512</u>
Total number of students *	<u>7,019</u>				
Cost per student	<u>\$ 11,704</u>	<u>6,868</u>	<u>404</u>	<u>481</u>	<u>3,951</u>

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

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

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

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

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

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

OTHER INFORMATION

Tupelo Public School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 27,791,500	27,804,017	27,208,271	26,981,703
State sources	32,574,680	31,941,656	30,713,840	31,325,325
Federal sources	898,739	537,585	526,861	545,863
Total Revenues	61,264,919	60,283,258	58,448,972	58,852,891
Expenditures:				
Instruction	32,395,649	33,272,428	32,425,430	33,571,413
Support services	22,175,320	22,248,185	22,271,181	20,839,140
Noninstructional services	125,668	218,676	204,940	105,351
Total Expenditures	54,696,637	55,739,289	54,901,551	54,515,904
Excess (Deficiency) of Revenues over (under) Expenditures	6,568,282	4,543,969	3,547,421	4,336,987
Other Financing Sources (Uses):				
Insurance recovery	25,408	-	23,603	24,663
Sale of transportation equipment	9,253	4,492	-	3,633
Operating transfers in	258,870	205,333	1,179,991	783,455
Operating transfers out	(878,787)	(1,728,254)	(2,827,678)	(3,804,102)
Other financing uses	-	-	-	(712)
Total Other Financing Sources (Uses)	(585,256)	(1,518,429)	(1,624,084)	(2,993,063)
Net Change in Fund Balances	5,983,026	3,025,540	1,923,337	1,343,924
Fund Balances:				
Beginning of period, as previously reported	14,745,813	11,827,685	9,925,491	8,614,217
Prior period adjustments	134,630	(102,674)	(14,490)	(33,500)
Beginning of period, as restated	14,880,443	11,725,011	9,911,001	8,580,717
Increase (Decrease) in reserve for inventory	(5,929)	(4,738)	(6,653)	850
End of Period	\$ 20,857,540	\$ 14,745,813	\$ 11,827,685	\$ 9,925,491

*SOURCE - PRIOR YEAR AUDIT REPORTS

Tupelo Public School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 33,262,889	\$ 33,593,144	\$ 33,330,469	\$ 33,244,182
State sources	34,158,965	33,060,254	32,320,034	32,881,368
Federal sources	8,737,244	7,828,083	7,691,757	8,270,075
Total Revenues	76,159,098	74,481,481	73,342,260	74,395,625
Expenditures:				
Instruction	38,887,967	38,252,401	38,291,956	38,938,137
Support services	32,609,842	25,083,642	27,738,340	23,518,162
Noninstructional services	3,523,983	3,689,574	3,774,693	3,549,586
Facilities acquisition and construction	1,879,402	3,326,494	823,147	647,909
Debt service:				
Principal	4,116,606	4,394,618	4,943,942	5,291,385
Interest	303,965	470,317	512,086	799,573
Other	833,182	13,221	62,746	67,345
Total Expenditures	82,154,947	75,230,267	76,146,910	72,812,097
Excess (Deficiency) of Revenues over (under) Expenditures	(5,995,849)	(748,786)	(2,804,650)	1,583,528
Other Financing Sources (Uses):				
Proceeds of general obligation bonds	34,100,000	306,000	4,435,000	-
Premium on bond issuance	859,045	-	-	-
Insurance recoveries	25,408	-	23,603	24,663
Sale of transportation equipment	9,253	4,492	-	3,633
Refunding bonds issued	-	-	-	5,384,000
Payment to refunded bond escrow agent	-	-	-	(5,319,073)
Payment held by QSCB escrow agent	474,849	-	-	-
Payment to QSCB bond escrow agent	(474,849)	-	-	-
Operating transfers in	4,354,792	3,551,564	4,388,384	5,092,103
Operating transfers out	(4,354,792)	(3,551,564)	(4,388,384)	(5,092,103)
Other financing uses	-	-	-	(5,021)
Total Other Financing Sources (Uses)	34,993,706	310,492	4,458,603	88,202
Extraordinary items	-	486,085	3,356,198	-
Net Change in Fund Balances	28,997,857	47,791	5,010,151	1,671,730
Fund Balances:				
Beginning of period, as previously reported	28,127,246	28,212,948	23,192,806	21,562,828
Prior period adjustments	134,630	(103,734)	(14,490)	(33,500)
Beginning of period, as restated	28,261,876	28,109,214	23,178,316	21,529,328
Increase (Decrease) in reserve for inventory	(19,588)	(29,759)	24,481	(8,252)
End of Period	\$ 57,240,145	\$ 28,127,246	\$ 28,212,948	\$ 23,192,806

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Tupelo Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Tupelo Public School District, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Tupelo Public School District's basic financial statements, and have issued our report thereon dated January 23, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Okolona, Mississippi
January 23, 2017

Watkins Ward and Stafford, PLLC



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Professional Limited Liability Company
Certified Public Accountants

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

Superintendent and School Board
Tupelo Public School District

Report on Compliance for Each Major Federal Program

We have audited the Tupelo Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Tupelo Public School District's major federal programs for the year ended June 30, 2016. The Tupelo Public School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Tupelo Public School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Tupelo Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Tupelo Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine

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

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

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

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

Okolona, Mississippi
January 23, 2017

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2016, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated January 23, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

Finding

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

Recommendation

PERS Form 4B must be completed by the PERS service retiree and the appointing authority of the PERS covered agency employing such service retiree with the PERS office within five (5) days from the date of reemployment and within five (5) days from the termination of such reemployment and employees must not be paid in excess of the amount allowed.

Response

The Human Resources Director stated that in the future care will be taken to ensure that PERS Form 4B is filed in the PERS office within five (5) days of reemployment of a PERS service retiree and safeguards will be put in place to assure that no one is paid in excess of the amount allowed.

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

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

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

Okolona, Mississippi
January 23, 2017

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TUPELO PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness (es) identified? | No |
| b. | Significant deficiency (ies) identified? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | 4. | Internal control over major programs: | | | | | | | |
|------------------------|--|---------------------|---|------------------------|-------------------------|--------|--|--|
| a. | Material weakness (es) identified? | No | | | | | | |
| b. | Significant deficiency (ies) identified? | None reported | | | | | | |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No | | | | | | |
| 7. | Identification of major programs: | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> <tr> <td>10.553, 10.555, 10.559</td> <td>Child nutrition cluster</td> </tr> <tr> <td>84.010</td> <td>Title I grants to local educational agencies</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.553, 10.555, 10.559 | Child nutrition cluster | 84.010 | Title I grants to local educational agencies | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | |
| 10.553, 10.555, 10.559 | Child nutrition cluster | | | | | | | |
| 84.010 | Title I grants to local educational agencies | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 9. | Auditee qualified as a low-risk auditee? | No | | | | | | |

TUPELO PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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.