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Tate County School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

Tate County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Tate County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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 Tate County School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 15 and 46 to 50, 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 Tate County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above 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 October 10, 2017, on our consideration of the Tate County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tate County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tate County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 10, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The following discussion and analysis of Tate County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased \$333,470, including a prior period adjustment of \$(324,689), which represents an 11% decrease from fiscal year 2016. Total net position for 2016 increased \$3,473,674, including a prior period adjustment of \$85,919, which represents a 661% increase from fiscal year 2015.
- General revenues amounted to \$20,764,807 and \$20,754,792, or 83% and 82% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,326,930, or 17% of total revenues for 2017, and \$4,474,815, or 18% of total revenues for 2016.
- The District had \$25,100,518 and \$21,841,852 in expenses for fiscal years 2017 and 2016; only \$4,326,930 for 2017 and \$4,474,815 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,764,807 for 2017 were not adequate to provide for these programs. General revenues of \$20,754,792 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,991,898 in revenues and \$16,854,657 in expenditures for 2017, and \$18,292,134 in revenues and \$16,707,998 in expenditures in 2016. The General Fund's fund balance increased by \$1,121,012 from 2016 to 2017, including a prior period adjustment of \$35,199, and increased by \$1,362,815 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$1,524,370 for 2017 and increased by \$123,247 for 2016. The decrease for 2017 was due to the disposal of buildings, mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Total long-term debt, excluding capital related bond premiums, decreased by \$2,233,649 for 2017 and decreased by \$2,269,861 for 2016. The decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$16,008 for 2017 and decreased by \$9,847 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and 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.

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,901,275 as of June 30, 2017.

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

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 13,558,460	\$ 12,514,620	8.34 %
Restricted assets	23,915	3,000	697.17 %
Capital assets, net	20,123,143	21,647,513	(7.04) %
Total assets	33,705,518	34,165,133	(1.35) %
 Deferred outflows of resources	 6,915,325	 6,674,694	 3.61 %
Current liabilities	477,921	273,217	74.92 %
Long-term debt outstanding	7,440,620	9,670,301	(23.06) %
Net pension liability	29,677,288	25,112,339	18.18 %
Total liabilities	37,595,829	35,055,857	7.25 %
 Deferred inflows of resources	 410,400	 2,835,886	 (85.53) %
 Net position:			
Net investment in capital assets	13,352,055	12,671,297	5.37 %
Restricted	1,931,227	2,192,188	(11.90) %
Unrestricted	(12,668,668)	(11,915,401)	(6.32) %
Total net position	\$ 2,614,614	\$ 2,948,084	(11.31) %

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:

Total unrestricted net position (deficit)	\$ (12,668,668)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	23,468,673
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 10,800,005</u>

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

- Decrease in net capital assets in the amount of \$1,524,370.
- The principal retirement of \$2,612,803 of long-term debt.
- Recognition of the net pension liability in the amount of \$29,677,288.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$25,091,737 and \$25,229,607, respectively. The total cost of all programs and services was \$25,100,518 for 2017 and \$21,841,852 for 2016.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 615,172	\$ 603,187	1.99 %
Operating grants and contributions	3,711,758	3,871,628	(4.13) %
General revenues:			
Property taxes	6,084,506	5,713,833	6.49 %
Grants and contributions not restricted	14,481,651	14,953,443	(3.16) %
Investment earnings	77,484	30,452	154.45 %
Other	121,166	57,064	112.33 %
Total revenues	25,091,737	25,229,607	(0.55) %
Expenses:			
Instruction	10,626,242	10,800,710	(1.62) %
Support services	9,319,746	7,207,170	29.31 %
Non-instructional	1,348,675	1,391,882	(3.10) %
Pension expense	3,541,050	2,136,194	65.76 %
Interest on long-term liabilities	264,805	305,896	(13.43) %
Total expenses	25,100,518	21,841,852	14.92 %
Increase (Decrease) in net position	(8,781)	3,387,755	(100.26) %
Net Position, July 1, as previously reported	2,948,084	(525,590)	660.91 %
Prior Period Adjustment	(324,689)	85,919	(477.90) %
Net Position, July 1, as restated	2,623,395	(439,671)	696.67 %
Net Position, June 30	\$ 2,614,614	\$ 2,948,084	(11.31) %

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

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 10,626,242	\$ 10,800,710	(1.62) %
Support services	9,319,746	7,207,170	29.31 %
Non-instructional	1,348,675	1,391,882	(3.10) %
Pension Expense	3,541,050	2,136,194	65.76 %
Interest on long-term liabilities	264,805	305,896	(13.43) %
Total expenses	\$ 25,100,518	\$ 21,841,852	14.92 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (8,968,062)	\$ (9,139,705)	(1.88) %
Support services	(8,134,448)	(5,848,862)	39.08 %
Non-instructional	134,777	63,620	111.85 %
Pension Expense	(3,541,050)	(2,136,194)	65.76 %
Interest on long-term liabilities	(264,805)	(305,896)	(13.43) %
Total net (expense) revenue	\$ (20,773,588)	\$ (17,367,037)	19.62 %

- Net cost of governmental activities (\$20,773,588 for 2017 and \$17,367,037 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$6,084,506 for 2017 and \$5,713,833 for 2016) and state and federal revenues (\$14,481,651 for 2017 and \$14,953,443 for 2016).
- Investment earnings amounted to \$77,484 for 2017 and \$30,452 for 2016.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$13,123,226, an increase of \$858,132, which includes a prior period adjustment of \$35,199 and an increase in inventory of \$2,245. \$11,059,293, or 84% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

fund balance of \$2,063,933, or 16% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,121,012, which includes a prior period adjustment of \$35,199. The fund balance of Other Governmental Funds showed a decrease in the amount of \$331,157, which includes an increase in inventory of \$2,245. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Federal SPED Fund	no increase or decrease
Vocational Renovations Fund	\$ 68,277

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. Budget revisions during the year were routine in nature and were insignificant when compared to the total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$32,464,486, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$2,390,738 from 2016 due primarily to the disposal of buildings, mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2017, was \$12,341,343, and total depreciation expense for the year was \$830,839, resulting in total net capital assets of \$20,123,143.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 500,701	\$ 518,560	(3.44) %
Construction in progress	57,370	513,278	(88.82) %
Buildings	17,027,384	18,058,603	(5.71) %
Building improvements	154,749	165,803	(6.67) %
Improvements other than buildings	626,037	668,961	(6.42) %
Mobile equipment	1,410,429	1,344,289	4.92 %
Furniture and equipment	346,473	378,019	(8.35) %
Total	<u>\$ 20,123,143</u>	<u>\$ 21,647,513</u>	<u>(7.04) %</u>

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

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Debt Administration. At June 30, 2017, the District had \$7,395,222 in outstanding long-term debt, excluding bond premiums in the amount of \$45,398, of which \$2,089,325 is due within one year. During the fiscal year, the District made principal payments totaling \$2,612,803 on outstanding long-term debt. The liability for compensated absences increased \$16,008 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 6,670,000	\$ 8,238,000	(19.03) %
Limited obligation bonds payable	352,000	697,000	(49.50) %
Certificates of participation payable	-	355,235	(100.00) %
Three mill notes payable	-	248,000	(100.00) %
Obligations under leases payable	282,586		N/A
Compensated absences payable	90,636	74,628	21.45 %
Total	<u>\$ 7,395,222</u>	<u>\$ 9,612,863</u>	(23.07) %

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

CURRENT ISSUES

The Tate County 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.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on the school district.

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 Tate County School District, 574 Parkway Street, Coldwater, MS 38618.

FINANCIAL STATEMENTS

TATE COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2017**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 12,805,044
Due from other governments	740,575
Inventories	12,841
Restricted assets	23,915
Capital assets, non-depreciable:	
Land	500,701
Construction in progress	57,370
Capital assets, net of accumulated depreciation:	
Buildings	17,027,384
Building improvements	154,749
Improvements other than buildings	626,037
Mobile equipment	1,410,429
Furniture and equipment	346,473
Total Assets	<u>33,705,518</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	296,310
Deferred outflow related to pensions	6,619,015
Total Deferred Outflows of Resources	<u>6,915,325</u>
Liabilities	
Accounts payable and accrued liabilities	443,340
Unearned revenue	15,809
Interest payable on long-term liabilities	18,772
Long-term liabilities, due within one year:	
Capital related liabilities	1,992,000
Non-capital related liabilities	97,325
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,030,000
Capital related bond premiums	45,398
Non-capital related liabilities	275,897
Net pension liability	29,677,288
Total Liabilities	<u>37,595,829</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	410,400
Total Deferred Inflows of Resources	<u>410,400</u>
Net Position	
Net investment in capital assets	13,352,055
Restricted for:	
Expendable:	
School-based activities	1,284,733
Debt service	539,229
Capital improvements	48,585
Unemployment benefits	58,680
Unrestricted	(12,668,668)
Total Net Position (deficit)	<u>\$ 2,614,614</u>

TATE COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 10,626,242	\$ 420,399	\$ 1,237,781	\$ (8,968,062)
Support services	9,319,746	8,459	1,176,839	(8,134,448)
Non-instructional	1,348,675	186,314	1,297,138	134,777
Pension expense	3,541,050	-	-	(3,541,050)
Interest on long-term liabilities	264,805	-	-	(264,805)
Total Governmental Activities	<u>\$ 25,100,518</u>	<u>\$ 615,172</u>	<u>\$ 3,711,758</u>	<u>\$ (20,773,588)</u>
General Revenues:				
Taxes:				
General purpose levies				4,285,553
Debt purpose levies				1,798,953
Unrestricted grants and contributions:				
State				14,331,449
Federal				150,202
Unrestricted investment earnings				77,484
Other				121,166
Total General Revenues				<u>20,764,807</u>
Change in Net Position				<u>(8,781)</u>
Net Position - Beginning, as previously reported				2,948,084
Prior Period Adjustments				<u>(324,689)</u>
Net Position - Beginning, as restated				<u>2,623,395</u>
Net Position - Ending				<u><u>\$ 2,614,614</u></u>

TATE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2017

	Major Funds					
	General Fund	Federal SPED Fund	Vocational Renovations Fund	Other Governmental Funds	Total Governmental Funds	
Assets						
Cash and cash equivalents	\$ 10,970,158	\$ -	\$ 141,739	\$ 1,693,147	\$ 12,805,044	
Cash with fiscal agents	-	-	-	23,915	23,915	
Due from other governments	218,445	101,600	-	420,530	740,575	
Due from other funds	238,717	-	-	-	238,717	
Inventories	-	-	-	12,841	12,841	
Total assets	<u>\$ 11,427,320</u>	<u>\$ 101,600</u>	<u>\$ 141,739</u>	<u>\$ 2,150,433</u>	<u>\$ 13,821,092</u>	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 285,045	\$ 25,665	\$ 73,462	\$ 59,168	\$ 443,340	
Due to other funds	-	75,935	-	162,782	238,717	
Unavailable revenue - federal programs	-	-	-	15,809	15,809	
Total Liabilities	<u>285,045</u>	<u>101,600</u>	<u>73,462</u>	<u>237,759</u>	<u>697,866</u>	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	12,841	12,841	
Restricted:						
Debt service	-	-	-	558,001	558,001	
District renovations	-	-	-	48,585	48,585	
Grant activities	-	-	-	10,786	10,786	
Unemployment benefits	-	-	-	58,680	58,680	
Food service	-	-	-	870,609	870,609	
Senatobia/Tate Vo-Tech renovations	-	-	68,277	322,220	390,497	
Committed:						
District renovations	-	-	-	30,952	30,952	
Assigned:						
Activity funds	82,982	-	-	-	82,982	
Unassigned	<u>11,059,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,059,293</u>	
Total Fund Balances	<u>11,142,275</u>	<u>-</u>	<u>68,277</u>	<u>1,912,674</u>	<u>13,123,226</u>	
Total Liabilities and Fund Balances	<u>\$ 11,427,320</u>	<u>\$ 101,600</u>	<u>\$ 141,739</u>	<u>\$ 2,150,433</u>	<u>\$ 13,821,092</u>	

TATE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Exhibit C-1

Total fund balances for governmental funds \$ 13,123,226

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	\$ 500,701	
Construction in progress	57,370	
Buildings	25,378,114	
Building improvements	276,338	
Improvements other than buildings	1,073,119	
Mobile equipment	4,248,413	
Furniture and equipment	930,431	
Accumulated depreciation	<u>(12,341,343)</u>	20,123,143

2. 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	(29,677,288)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	6,619,015	
Deferred inflows of resources related to pensions	<u>(410,400)</u>	(23,468,673)

3. 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	(6,670,000)	
Limited obligation bonds	(352,000)	
Obligations under capital leases	(282,586)	
Compensated absences	(90,636)	
Unamortized charges	296,310	
Unamortized premiums	(45,398)	
Accrued interest payable	<u>(18,772)</u>	(7,163,082)

Net Position of governmental activities		<u><u>\$ 2,614,614</u></u>
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TATE COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

Exhibit D

	Major Funds				
	General Fund	Federal SPED Fund	Vocational Renovations Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 4,409,890	\$ -	\$ -	\$ 2,384,212	\$ 6,794,102
State sources	13,431,806	-	-	1,374,499	14,806,305
Federal sources	150,202	519,595	-	2,717,307	3,387,104
Total Revenues	<u>17,991,898</u>	<u>519,595</u>	<u>-</u>	<u>6,476,018</u>	<u>24,987,511</u>
Expenditures:					
Instruction	9,523,287	257,954	-	1,496,582	11,277,823
Support services	6,866,727	246,100	95,533	1,283,557	8,491,917
Noninstructional services	-	-	-	1,346,385	1,346,385
Facilities acquisition and construction	-	-	-	377,734	377,734
Debt service:					
Principal	451,803	-	-	2,161,000	2,612,803
Interest	12,140	-	-	185,547	197,687
Other	700	-	-	5,230	5,930
Total Expenditures	<u>16,854,657</u>	<u>504,054</u>	<u>95,533</u>	<u>6,856,035</u>	<u>24,310,279</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,137,241</u>	<u>15,541</u>	<u>(95,533)</u>	<u>(380,017)</u>	<u>677,232</u>
Other Financing Sources (Uses):					
Sale of other property	143,456	-	-	-	143,456
Operating transfers in	98,914	-	163,810	787,442	1,050,166
Operating transfers out	(293,798)	(15,541)	-	(740,827)	(1,050,166)
Total Other Financing Sources (Uses)	<u>(51,428)</u>	<u>(15,541)</u>	<u>163,810</u>	<u>46,615</u>	<u>143,456</u>
Net Change in Fund Balances	<u>1,085,813</u>	<u>-</u>	<u>68,277</u>	<u>(333,402)</u>	<u>820,688</u>
Fund Balances:					
July 1, 2016, as previously reported	10,021,263	-	-	2,243,831	12,265,094
Prior period adjustments	35,199	-	-	-	35,199
July 1, 2016, as restated	<u>10,056,462</u>	<u>-</u>	<u>-</u>	<u>2,243,831</u>	<u>12,300,293</u>
Increase (Decrease) in inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,245</u>	<u>2,245</u>
June 30, 2017	<u>\$ 11,142,275</u>	<u>\$ -</u>	<u>\$ 68,277</u>	<u>\$ 1,912,674</u>	<u>\$ 13,123,226</u>

TATE COUNTY 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, 2017**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 820,688

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	\$ 698,295	
Depreciation expense	<u>(830,839)</u>	(132,544)

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. (1,411,092)

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

Payments of debt principal	2,612,803	
Accrued interest payable	<u>1,919</u>	2,614,722

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

Recording of pension expense for the current period	(3,541,050)	
Recording of contributions made subsequent to the measurement date	<u>1,717,365</u>	(1,823,685)

5. 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	(16,008)	
Change in inventory	2,245	
Amortization of deferred charges, premiums and discounts	<u>(63,107)</u>	(76,870)

Change in Net Position of governmental activities	\$	<u>(8,781)</u>
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TATE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 582,699
Due from other governments	67
Total Assets	<u>\$ 582,766</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 556,059
Due to student clubs	26,707
Total Liabilities	<u>\$ 582,766</u>

Tate County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Tate County 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.

Blended component unit

The Tate County Schools Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

B. Government-wide and Fund Financial Statements

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

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

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 is used to account for and report all financial resources not accounted for and reported in another fund.

Federal SPED Fund - This is a special revenue fund that accounts for a federal grant which is used to supplement educational services to children with disabilities.

Vocational Renovations Fund - This is a capital projects fund that accounts for transfers from the Special Revenue Vocational Renovations Fund and the expenditures incurred for the CTE renovation project.

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 (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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.

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 county 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.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital 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.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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 5 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 school district has incurred deferred outflows which are presented as a deferred outflow from advance refunding of debt and a deferred outflow related to pensions. See Note 14 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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 6 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.

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.

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

unassigned fund balance.

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 15% of total revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,805,044 and \$582,699, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$12,805,044. The bank balance was \$14,469,480.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$14,469,580 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$23,915.

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	Federal SPED Fund	\$ 75,935
	Other governmental funds	162,782
Total		<u>\$ 238,717</u>

The primary reason for the inter-fund loans was to eliminate deficit cash balances in certain federal program funds as part of routine year end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 293,798
Federal SPED Fund	General Fund	15,541
Other governmental funds	General Fund	83,373
	Vocational Renovations Fund	163,810
	Other governmental funds	493,644
Total		<u>\$ 1,050,166</u>

Operating transfers were primarily for the following: indirect cost transfers, cost pool transfers, capital project transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance totaling \$23,915 of the MAEP Limited Obligation Bond Fund.

Note 5 – Capital Assets

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

	Balance 7/1/2016	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2017
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 518,560	\$	\$ 17,859	\$	\$	\$ 500,701
Construction-in-progress	513,278	377,734		(833,642)		57,370
Total non-depreciable capital assets	1,031,838	377,734	17,859	(833,642)	-	558,071
<u>Depreciable capital assets:</u>						
Buildings	27,504,428		2,959,956	833,642		25,378,114
Building improvements	276,338					276,338
Improvements other than buildings	1,073,119					1,073,119
Mobile equipment	3,976,307	283,106	11,000			4,248,413
Furniture and equipment	993,194	37,455	122,658		22,440	930,431
Total depreciable capital assets	33,823,386	320,561	3,093,614	833,642	22,440	31,906,415
<u>Less accumulated depreciation for:</u>						
Buildings	9,445,825	473,955	1,569,050			8,350,730
Building improvements	110,535	11,054				121,589
Improvements other than buildings	404,158	42,924				447,082
Mobile equipment	2,632,018	215,866	9,900			2,837,984
Furniture and equipment	615,175	87,040	121,431		3,174	583,958
Total accumulated depreciation	13,207,711	830,839	1,700,381	-	3,174	12,341,343
Total depreciable capital assets, net	20,615,675	(510,278)	1,393,233	833,642	19,266	19,565,072
Governmental activities capital assets, net	\$ 21,647,513	\$ (132,544)	\$ 1,411,092	\$ -	\$ 19,266	\$ 20,123,143

Adjustments were made to remove equipment that should have been deleted from the school district's records in prior year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 473,758
Support services	268,044
Non-instructional	89,037
Total depreciation expense	<u>\$ 830,839</u>

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

	Spent to June 30, 2017	Remaining Commitment
Governmental Activities:		
IHS Classroom Addition	\$ 57,370	\$ 797,384
Total construction in progress	<u>\$ 57,370</u>	<u>\$ 797,384</u>

Construction projects included in governmental activities are funded with general funds.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Adjustments	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 8,238,000		1,568,000		6,670,000	1,640,000
B. Limited obligation bonds payable	697,000		345,000		352,000	352,000
C. Certificates of participation payable	355,235		355,235		-	-
D. Three mill notes payable	248,000		248,000		-	-
E. Obligations under leases payable			96,568	379,154	282,586	92,793
F. Compensated absences payable	74,628	16,008			90,636	4,532
Total	\$ 9,612,863	16,008	2,612,803	379,154	7,395,222	2,089,325

Adjustments were made to record a lease that should have been recorded in the prior fiscal year.

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 2011	2.65%	8/1/2011	2/1/2018	\$ 944,000	\$ 145,000
2. General obligation refunding bonds, Series 2012	1.0%-2.5%	8/15/2012	6/1/2022	5,485,000	3,795,000
3. General obligation refunding bonds, Series 2013	0.75%-2.0%	4/10/2013	6/1/2020	5,380,000	2,730,000
Total				<u>\$ 11,809,000</u>	<u>\$ 6,670,000</u>

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

- General obligation refunding bonds, Series 2011 issued on August 1, 2011:

Year Ending June 30	Principal	Interest	Total
2018	\$ 145,000	\$ 3,842	\$ 148,842
Total	<u>\$ 145,000</u>	<u>\$ 3,842</u>	<u>\$ 148,842</u>

This debt will be retired from the 2011 Refunding - Original 1998 Debt Service Fund (4031).

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

2. General obligation refunding bonds, Series 2012 issued on August 15, 2012:

Year Ending June 30	Principal	Interest	Total
2018	\$ 575,000	\$ 85,670	\$ 660,670
2019	610,000	74,170	684,170
2020	790,000	61,970	851,970
2021	910,000	44,590	954,590
2022	910,000	22,750	932,750
Total	<u>\$ 3,795,000</u>	<u>\$ 289,150</u>	<u>\$ 4,084,150</u>

This debt will be retired from the 2012 Refunding - Original 2005 Debt Service Fund (4033).

3. General obligation refunding bonds, Series 2013 issued on April 10, 2013:

Year Ending June 30	Principal	Interest	Total
2018	\$ 920,000	\$ 49,900	\$ 969,900
2019	960,000	33,800	993,800
2020	850,000	17,000	867,000
Total	<u>\$ 2,730,000</u>	<u>\$ 100,700</u>	<u>\$ 2,830,700</u>

This debt will be retired from the 2013 Refunding - Original 2004 Debt Service Fund (4032).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,640,000	\$ 139,412	\$ 1,779,412
2019	1,570,000	107,970	1,677,970
2020	1,640,000	78,970	1,718,970
2021	910,000	44,590	954,590
2022	910,000	22,750	932,750
Total	<u>\$ 6,670,000</u>	<u>\$ 393,692</u>	<u>\$ 7,063,692</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2016.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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
State aid capital improvement refunding bond, Series 2012	0.9%-1.5%	10/4/2012	2/1/2018	\$ 2,008,000	\$ 352,000
Total				<u>\$ 2,008,000</u>	<u>\$ 352,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 352,000	\$ 5,280	\$ 357,280
Total	<u>\$ 352,000</u>	<u>\$ 5,280</u>	<u>\$ 357,280</u>

This debt will be retired from the MAEP Bond Retirement Fund (4041).

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Certificates of participation payable

This debt was paid off and fully retired from the District Maintenance Fund (1120) during the fiscal year.

D. Three mill notes payable

This debt was paid off and fully retired from the Three Mill Levy Fund (4021) during the fiscal year.

E. Obligations under leases payable

The school district has entered into a lease agreement as lessee for financing the acquisition of computer equipment at a cost of \$379,154. This lease does not qualify as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2016 Master Lease Purchase		6/15/2016	7/15/2019	<u>\$ 379,154</u>	<u>\$ 282,586</u>

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 92,793	4,250	97,043
2019	94,188	2,855	97,043
2020	95,605	1,438	97,043
Total	\$ 282,586	8,543	291,129

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

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 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$1,717,365, \$1,674,004 and \$1,598,509, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$29,677,288 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.166143 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.003688 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,541,050. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,174,400	\$
Net difference between projected and actual earnings on pension plan investments	2,428,266	
Changes of assumptions	2,163,342	78,862
Changes in proportion and differences between District contributions and proportionate share of contributions	(864,358)	331,538
District contributions subsequent to the measurement date	1,717,365	
Total	\$ <u>6,619,015</u>	\$ <u>410,400</u>

\$1,717,365 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Year Ending June 30:

2018	\$ 1,427,076
2019	1,369,286
2020	1,108,606
2021	586,282

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following 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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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%)
District's proportionate share of the net pension liability	\$ 38,052,937	\$ 29,677,288	\$ 22,728,215

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 8 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To restate fund balance for a correction of a prior year expenditure at the governmental fund level	\$ 35,199
2. To record cost and accumulated depreciation for capital assets purchased in prior year	19,266
3. To reflect prior year lease payable not recorded.	(379,154)
Total	<u>\$ (324,689)</u>

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

Fund	Explanation	Amount
General Fund	To restate fund balance for a correction of a prior year expenditure	\$ 35,199
Total		<u>\$ 35,199</u>

Note 9 – 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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

financial condition of the school district.

Note 10 – Risk Management

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

Note 11 – Trust Certificates

A trust agreement dated March 1, 2006, was executed by and between the school district and First Security Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,000,000. Approximately \$1,980,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$20,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 12 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated May 13, 1999, creating the Senatobia-Tate County Regional Optional Learning Center. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Senatobia Municipal School District and Tate County School District.

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

The Senatobia Municipal School District has been designated as the lead school district for the Senatobia-Tate County Regional Optional Learning Center, and the operations of the consortium are

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

included in its financial statements.

Note 13 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984 creating the Senatobia-Tate County Regional Vocational Educational Consortium. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Senatobia Municipal School District and the Tate County School District.

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

The Tate County School District has been designated as the fiscal agent for the Senatobia-Tate County Regional Vocational Education Consortium, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Senatobia-Tate County Regional Vocational Education Consortium.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2017

Revenues

Local sources:	
Taxes	\$ 276,352
Tuition from other LEA's within the state:	105,000
Total local sources	<u>381,352</u>
State sources	337,144
Federal sources	51,269
Total Revenues	<u>769,765</u>

Expenditures

Salaries	410,205
Employee benefits	128,641
Purchased property services	36,862
Other purchased services	5,480
Supplies	12,214
Property	31,957
Other	1,290
Total Expenditures	<u>626,649</u>
Net Change in Fund Balance	<u>143,116</u>

Fund Balance:	
July 1, 2016	<u>179,104</u>
June 30, 2017	<u>\$ 322,220</u>

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 14 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$13,352,055 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$296,310 balance of the deferred outflow of resources at June 30, 2017, will be recognized as an expense and decrease the net investment in capital assets net position over the next 5 years.

The unrestricted net position amount of (\$12,668,668) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,717,365 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$4,901,650 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$410,400 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

Note 15 – 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 Tate County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

The Tate County School District issued a Limited Tax Promissory Note on August 16, 2017 in the amount of \$1,975,000. This note will bear interest at a rate ranging from 1.5 to 2.55% and will mature on May 1, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,130,771	\$ 4,409,890	\$ 4,409,890	\$ 279,119	\$ -
State sources	13,668,886	13,431,806	13,431,806	(237,080)	-
Federal sources	123,673	150,202	150,202	26,529	-
Total Revenues	17,923,330	17,991,898	17,991,898	68,568	-
Expenditures:					
Instruction	9,933,015	9,521,937	9,523,287	411,078	(1,350)
Support services	7,537,702	6,952,036	6,866,727	585,666	85,309
Facilities acquisition and construction	487,411	-	-	487,411	-
Debt service:					
Principal	199,917	355,908	451,803	(155,991)	(95,895)
Interest	10,677	10,992	12,140	(315)	(1,148)
Other	600	700	700	(100)	-
Total Expenditures	18,169,322	16,841,573	16,854,657	1,327,749	(13,084)
Excess (Deficiency) of Revenues over (under) Expenditures	(245,992)	1,150,325	1,137,241	1,396,317	(13,084)
Other Financing Sources (Uses):					
Sale of other property	-	143,456	143,456	143,456	-
Operating transfers in	394,572	109,517	98,914	(285,055)	(10,603)
Operating transfers out	(460,663)	(227,181)	(293,798)	233,482	(66,617)
Total Other Financing Sources (Uses)	(66,091)	25,792	(51,428)	91,883	(77,220)
Net Change in Fund Balances	(312,083)	1,176,117	1,085,813	1,488,200	(90,304)
Fund Balances:					
July 1, 2016, as previously reported	9,608,800	10,056,462	10,021,263	447,662	(35,199)
Prior period adjustments	-	-	35,199	-	35,199
July 1, 2016, as restated	9,608,800	10,056,462	10,056,462	447,662	-
June 30, 2017	\$ 9,296,717	\$ 11,232,579	\$ 11,142,275	\$ 1,935,862	\$ (90,304)

TATE COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Federal SPED Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ 620,380	\$ -	\$ -	\$ (620,380)	\$ -
Federal sources	-	721,676	519,595	721,676	(202,081)
Total Revenues	620,380	721,676	519,595	101,296	(202,081)
Expenditures:					
Instruction	275,514	281,352	257,954	(5,838)	23,398
Support services	300,600	419,238	246,100	(118,638)	173,138
Noninstructional services	500	1,500	-	(1,000)	1,500
Total Expenditures	576,614	702,090	504,054	(125,476)	198,036
Excess (Deficiency) of Revenues over (under) Expenditures	43,766	19,586	15,541	(24,180)	(4,045)
Other Financing Sources (Uses):					
Operating transfers out	(43,766)	(19,586)	(15,541)	24,180	4,045
Total Other Financing Sources (Uses)	(43,766)	(19,586)	(15,541)	24,180	4,045
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

Tate County School District

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

PERS

Last 10 Fiscal Years*

	2017	2016	2015
District's proportion of the net pension liability (asset) \$	29,677,288	25,112,339	19,125,628
District's proportionate share of the net pension liability (asset)	0.166143%	0.162455%	0.157566%
District's covered payroll	10,628,597	10,149,263	9,628,121
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

Tate County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2017	2016	2015
Contractually required contribution	\$ 1,717,365	1,674,004	1,598,509
Contributions in relation to the contractually required contribution	1,717,365	1,674,004	1,598,509
Contribution deficiency (excess)	\$ -	-	-
District's covered payroll	10,903,905	10,628,597	10,149,263
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

Tate County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2017

Budgetary Comparison Schedules

(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 in benefit provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) 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 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.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

SUPPLEMENTARY INFORMATION

TATE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 368,762
National School Lunch Program	10.555	1,067,890
Summer Food Program	10.559	534
Total Child Nutrition Cluster		<u>1,437,186</u>
Total passed-through the Mississippi Department of Education		<u>1,437,186</u>
Total U.S. Department of Agriculture		<u><u>1,437,186</u></u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	801,472
Career and Technical Education - Basic Grants to States	84.048	51,269
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	2,945
Rural Education	84.358	115,426
Supporting Effective Instruction State Grants	84.367	220,684
Subtotal		<u>1,191,796</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	632,625
Special Education - Preschool Grants	84.173	17,814
Total Special Education Cluster		<u>650,439</u>
Total passed-through the Mississippi Department of Education		<u>1,842,235</u>
Total U.S. Department of Education		<u><u>1,842,235</u></u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	<u>69,037</u>
Total passed-through the Mississippi Department of Education		<u>69,037</u>
Total U.S. Department of Health and Human Services		<u><u>69,037</u></u>
Total for All Federal Awards		\$ <u><u>3,348,458</u></u>

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

TATE COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	15,106,983	11,206,228	757,534	1,284,346	1,858,875
Other	9,203,296	2,283,623	295,597	45,274	6,578,802
Total	<u>\$ 24,310,279</u>	<u>13,489,851</u>	<u>1,053,131</u>	<u>1,329,620</u>	<u>8,437,677</u>
Total number of students *	<u>2,426</u>				
Cost per student	<u>\$ 10,021</u>	<u>5,561</u>	<u>434</u>	<u>548</u>	<u>3,478</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 functions: 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

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

Tate County School District

Notes to the Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$94,916 are included in the National School Lunch Program.

Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

TATE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 4,409,890	4,108,920	4,247,027	4,102,690
State sources	13,431,806	13,967,604	13,703,495	13,439,139
Federal sources	150,202	215,610	85,638	108,110
Total Revenues	<u>17,991,898</u>	<u>18,292,134</u>	<u>18,036,160</u>	<u>17,649,939</u>
Expenditures:				
Instruction	9,523,287	9,658,196	9,145,941	8,411,610
Support services	6,866,727	6,280,526	6,161,872	6,211,924
Facilities acquisition and construction		558,032		
Debt service:				
Principal	451,803	192,014	184,424	577,133
Interest	12,140	18,580	26,170	33,460
Other	700	650	600	650
Total Expenditures	<u>16,854,657</u>	<u>16,707,998</u>	<u>15,519,007</u>	<u>15,234,777</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,137,241</u>	<u>1,584,136</u>	<u>2,517,153</u>	<u>2,415,162</u>
Other Financing Sources (Uses):				
Insurance recovery			53,055	51,088
Sale of other property	143,456			1,234
Operating transfers in	98,914	85,516	15,800	208,582
Other financing sources		21,027		8,328
Operating transfers out	(293,798)	(327,864)	(1,000)	(177,119)
Total Other Financing Sources (Uses)	<u>(51,428)</u>	<u>(221,321)</u>	<u>67,855</u>	<u>92,113</u>
Net Change in Fund Balances	<u>1,085,813</u>	<u>1,362,815</u>	<u>2,585,008</u>	<u>2,507,275</u>
Fund Balances:				
July 1, as previously reported	10,021,263	8,658,448	6,073,640	3,566,365
Prior period adjustments	<u>35,199</u>	<u>-</u>	<u>(200)</u>	<u>-</u>
July 1, as restated	10,056,462	8,658,448	6,073,440	3,566,365
June 30,	<u>\$ 11,142,275</u>	<u>10,021,263</u>	<u>8,658,448</u>	<u>6,073,640</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

TATE COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 6,794,102	6,383,507	6,576,008	6,516,807
State sources	14,806,305	15,202,750	15,035,677	14,686,677
Federal sources	3,387,104	3,622,323	3,108,264	3,494,195
Total Revenues	<u>24,987,511</u>	<u>25,208,580</u>	<u>24,719,949</u>	<u>24,697,679</u>
Expenditures:				
Instruction	11,277,823	11,313,151	10,798,673	10,232,741
Support services	8,491,917	7,759,760	8,253,806	7,756,305
Noninstructional services	1,346,385	1,359,202	1,491,291	1,344,023
Facilities acquisition and construction	377,734	558,032		
Debt service:				
Principal	2,612,803	2,260,014	2,161,424	2,723,133
Interest	197,687	242,633	286,815	347,927
Other	5,930	5,880	5,730	8,499
Total Expenditures	<u>24,310,279</u>	<u>23,498,672</u>	<u>22,997,739</u>	<u>22,412,628</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>677,232</u>	<u>1,709,908</u>	<u>1,722,210</u>	<u>2,285,051</u>
Other Financing Sources (Uses):				
Insurance recovery			55,390	51,088
Bonds and notes issued				720,000
Sale of other property	143,456			1,234
Operating transfers in	1,050,166	822,979	294,314	479,451
Other financing sources		21,027		8,328
Operating transfers out	(1,050,166)	(822,979)	(294,314)	(479,451)
Other financing uses		(217,846)		
Total Other Financing Sources (Uses)	<u>143,456</u>	<u>(196,819)</u>	<u>55,390</u>	<u>780,650</u>
Net Change in Fund Balances	<u>820,688</u>	<u>1,513,089</u>	<u>1,777,600</u>	<u>3,065,701</u>
Fund Balances:				
July 1, as previously reported	12,265,094	10,664,955	8,878,736	5,818,656
Prior period adjustment	35,199	85,919	9,168	-
July 1, as restated	<u>12,300,293</u>	<u>10,750,874</u>	<u>8,887,904</u>	<u>5,818,656</u>
Increase (decrease) in inventory	2,245	1,131	(549)	(5,621)
June 30,	<u>\$ 13,123,226</u>	<u>12,265,094</u>	<u>10,664,955</u>	<u>8,878,736</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Tate County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tate County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Tate County School District's basic financial statements, and have issued our report thereon dated October 10, 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. Accordingly, we do not express 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency. Finding 2017-001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tate County 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*.

Tate County School District's Response to Finding

The Tate County School District's responses to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Tate County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 10, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Tate County School District

Report on Compliance for Each Major Federal Program

We have audited Tate County 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 Tate County School District's major federal program for the year ended June 30, 2017. The Tate County School District's major federal program is identified in the summary of the auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tate County 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 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 Tate County 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 its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Tate County School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tate County 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 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 the 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 10, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Tate County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2017, which collectively comprise Tate County School District's basic financial statements and have issued our report thereon dated October 10, 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.

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

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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.

FORTENBERRY & BALLARD, PC |

Fortenberry & Ballard, PC
October 10, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Tate County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Finding 2017-001

Significant Deficiency

Criteria:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets.

Condition:

While performing our review of athletic game receipts, we noted three instances in which ticket sales reports were not attested to by more than one individual signature.

Cause:

Internal control procedures were not in place to ensure that proceeds from games were accurately documented and signed by at least two individuals attesting the amount deposited is correct.

Effect:

Without strong internal controls in place to ensure cash received from athletic games is accounted for properly and accurately documented, the district increases the risk that unauthorized or inappropriate use of the funds from athletic games would not be detected in a timely manner. This could also result in cash being understated.

Recommendation:

We recommend the district revise its system of cash collections process whereby there would be at least two individuals present to ensure cash collected is all accounted for and signed by those individuals attesting to the amount for deposit.

Section III: Federal Awards Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN



AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Tate County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2017:

Finding

Corrective Action Plan Details

2017-001

a. Name of Contact Person Responsible for Corrective Action

Name: Sandy Patton

Phone Number: (662) 562-5861

b. Corrective Action Planned: The district has implemented controls and revised the activity form to specify more than one person attest to ticket sales reports.

c. Anticipated Completion Date: The activity form was revised on October 17, 2017.