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**TISHOMINGO COUNY SPECIAL
MUNICIPAL SEPARATE SCHOOL DISTRICT**

**AUDITED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2017



Certified Public Accountants

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
IUKA, MISSISSIPPI**

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Tishomingo County Special Municipal Separate School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tishomingo County Special Municipal Separate School District, as of June 30, 2017,

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Booneville, Mississippi
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Corinth, Mississippi
Phone: (662)286-7082

Iuka, Mississippi
Phone: (662)423-5057

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-12, 41-44, and 45-46, 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 Tishomingo County Special Municipal Separate 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 7, 2018 on our consideration of the Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
March 7, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

The following discussion and analysis of Tishomingo County Special Municipal Separate 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 \$1,649,923, which represents a 21.04% decrease from fiscal year 2016. Total net position for 2016 decreased \$762,305, which represents a 10.77% decrease from fiscal year 2015.
- General revenues amounted to \$24,257,418 and \$23,921,290, or 81.25% and 81.33% 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 \$5,596,945, or 18.75% of total revenues for 2017, and \$5,491,050, or 18.67% of total revenues for 2016.
- The District had \$31,504,286 and \$30,174,645 in expenses for fiscal years 2017 and 2016; only \$5,596,945 for 2017 and \$5,491,050 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$24,257,418 for 2017 and \$23,921,290 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$24,005,233 in revenues and \$22,670,011 in expenditures for 2017, and \$23,621,141 in revenues and \$22,407,056 in expenditures in 2016. The General Fund's fund balance increased by \$1,396,102 from 2016 to 2017, and increased by \$1,174,451 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$436,589 for 2017 and decreased by \$836,658 for 2016. The increase for 2017 was due to the addition of mobile equipment and furniture and equipment, and disposal of mobile equipment coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$893,345 for 2017 and decreased by \$379,946 for 2016. This increase for 2017 was due primarily to the issuance of Three Mill Debt coupled with principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8,050 for 2017 and increased by \$8,599 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.

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.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,492,049 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.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 8,948,315	\$ 7,484,223	19.56 %
Restricted assets	1,456,878	1,516,328	(3.92) %
Capital assets, net	23,550,334	23,113,745	1.89 %
Total Assets	<u>33,955,527</u>	<u>32,114,296</u>	5.73 %
Deferred Outflows of Resources			
Deferred outflows - pension	9,436,625	7,641,904	23.49 %
Total Deferred Outflows of Resources	<u>9,436,625</u>	<u>7,641,904</u>	23.49 %
Current liabilities	185,098	203,151	(8.89) %
Long-term debt outstanding	5,642,556	4,757,261	18.61 %
Net pension liability	45,534,184	41,423,651	9.92 %
Total Liabilities	<u>51,361,838</u>	<u>46,384,063</u>	10.73 %
Deferred Inflows of Resources			
Deferred inflows - pension	1,522,363	1,214,263	25.37 %
Total Deferred Inflows of Resources	<u>1,522,363</u>	<u>1,214,263</u>	25.37 %
Net Position:			
Net investment in capital assets	18,240,334	18,874,447	(3.36) %
Restricted	2,402,335	2,375,742	1.12 %
Unrestricted	(30,134,718)	(29,092,315)	(3.58) %
Total Net Position	<u>\$ (9,492,049)</u>	<u>\$ (7,842,126)</u>	(21.04) %

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)	\$ (30,134,718)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	37,619,922
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 7,485,204</u>

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

- Increase in net capital assets in the amount of \$436,589.
- The increase of \$893,345 of long-term debt.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$29,854,363 and \$29,412,340, respectively. The total cost of all programs and services was \$31,504,286 for 2017 and \$30,174,645 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**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,166,735	\$ 1,186,239	(1.64) %
Operating grants and contributions	4,430,210	4,304,811	2.91 %
General revenues:			
Property taxes	6,993,477	6,837,484	2.28 %
Grants and contributions not restricted	17,039,724	16,907,735	0.78 %
Investment earnings	50,052	12,970	285.91 %
Other	174,165	163,101	6.78 %
Total revenues	<u>29,854,363</u>	<u>29,412,340</u>	1.50 %
Expenses:			
Instruction	15,692,583	15,141,258	3.64 %
Support services	8,630,621	8,820,154	(2.15) %
Non-instructional	1,866,853	1,917,544	(2.64) %
Pension expense	5,218,615	4,183,862	24.73 %
Interest on long-term liabilities	95,614	111,827	(14.50) %
Total expenses	<u>31,504,286</u>	<u>30,174,645</u>	4.41 %
Increase (Decrease) in net position	<u>(1,649,923)</u>	<u>(762,305)</u>	(116.44) %
Net Position, July 1	<u>(7,842,126)</u>	<u>(7,079,821)</u>	(10.77) %
Net Position, June 30	<u><u>\$ (9,492,049)</u></u>	<u><u>\$ (7,842,126)</u></u>	(21.04) %

Governmental activities

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 15,692,583	\$ 15,141,258	3.64 %
Support services	8,630,621	8,820,154	(2.15) %
Non-instructional	1,866,853	1,917,544	(2.64) %
Pension expense	5,218,615	4,183,862	24.73 %
Interest on long-term liabilities	95,614	111,827	(14.50) %
Total expenses	\$ 31,504,286	\$ 30,174,645	4.41 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (11,860,044)	\$ (11,529,708)	2.87 %
Support services	(8,630,621)	(8,820,154)	(2.15) %
Non-instructional	(102,447)	(38,044)	169.29 %
Pension expense	(5,218,615)	(4,183,862)	24.73 %
Interest on long-term liabilities	(95,614)	(111,827)	(14.50) %
Total net (expense) revenue	\$ (25,907,341)	\$ (24,683,595)	4.96 %

- Net cost of governmental activities ((\$25,907,341) for 2017 and (\$24,683,595) for 2016) was financed by general revenue, which is primarily made up of property taxes (\$6,993,477 for 2017 and \$6,837,484 for 2016) and state and federal revenues (\$17,039,724 for 2017 and \$16,907,735 for 2016).
- Investment earnings amounted to \$50,052 for 2017 and \$12,970 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 \$10,251,488, an increase of \$1,405,180, which includes an increase in inventory of \$4,864. \$7,422,026 or 72.40% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,829,462 or 27.60% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,396,102. The fund balance of Other Governmental Funds showed a decrease in the amount of \$226,987, which includes an increase in reserve for inventory of \$4,864. The increase (decrease) in the fund balances for the other major funds were as follows:

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Major Fund	Increase (Decrease)
Title I, Part A Fund	no increase or decrease
Title II-A Improving Teacher Quality Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
QSCB Retirement Fund	\$ 240,929

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and 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 \$42,621,515, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,529,299 from 2016. Total accumulated depreciation as of June 30, 2017, was \$19,071,181, and total depreciation expense for the year was \$1,113,965, resulting in total net capital assets of \$23,550,334.

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

	June 30, 2017	June 30, 2016	Percentage Change
Land	\$ 600,235	\$ 600,235	0.00 %
Construction in progress	63,225	-	N/A %
Buildings	16,810,698	17,344,315	(3.08) %
Building improvements	3,506,614	3,747,715	(6.43) %
Mobile equipment	461,372	483,566	(4.59) %
Furniture and equipment	1,882,205	687,983	173.58 %
Leased property under capital leases	225,985	249,931	(9.58) %
Total	\$ 23,550,334	\$ 23,113,745	1.89 %

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Debt Administration. At June 30, 2017, the District had \$5,642,556 in outstanding long-term debt, of which \$278,467 is due within one year. The liability for compensated absences decreased \$8,050 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 2,310,000	\$ 1,170,000	97.44 %
Obligations under capital leases	99,213	345,868	(71.31) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	233,343	241,393	(3.33) %
Total	\$ 5,642,556	\$ 4,757,261	18.61 %

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

CURRENT ISSUES

The Tishomingo County Special Municipal Separate 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 control 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.

Enrollment for the 2016-2017 year decreased by 3.41% to 2748 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Tishomingo County Special Municipal Separate School District, 1620 Paul Edmondson Drive, Iuka, MS 38852.

BASIC FINANCIAL STATEMENTS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,185,487
Due from other governments	712,105
Inventories	50,723
Restricted assets	1,456,878
Capital assets, non-depreciable:	
Land	600,235
Construction in progress	63,225
Capital assets, net of accumulated depreciation:	
Buildings	16,810,698
Building improvements	3,506,614
Improvements other than buildings	461,372
Mobile equipment	1,882,205
Furniture and equipment	225,985
Total Assets	<u>33,955,527</u>
Deferred Outflows of Resources	
Deferred outflows - pension	9,436,625
Total Deferred Outflows of Resources	<u>9,436,625</u>
Liabilities	
Accounts payable and accrued liabilities	153,583
Unearned revenue	122
Interest payable on long-term liabilities	31,393
Long-term liabilities, due within one year:	
Capital related liabilities	190,000
Non-capital related liabilities	88,467
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,120,000
Non-capital related liabilities	244,089
Net pension liability	45,534,184
Total Liabilities	<u>51,361,838</u>
Deferred Inflows of Resources	
Deferred inflows - pension	1,522,363
Total Deferred Inflows of Resources	<u>1,522,363</u>
Net Position	
Net investment in capital assets	18,240,334
Restricted for:	
Expendable:	
School-based activities	789,963
Debt service	1,490,509
Capital projects	67,500
Unemployment benefits	54,363
Unrestricted	(30,134,718)
Total Net Position	<u>\$ (9,492,049)</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
		Charges for	Operating	Capital	
Functions/Programs	Expenses	Services	Grants and Contributions	Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 15,692,583	\$ 796,433	\$ 3,036,106	\$ -	\$ (11,860,044)
Support services	8,630,621	-	-	-	(8,630,621)
Non-instructional	1,866,853	370,302	1,394,104	-	(102,447)
Pension expense	5,218,615	-	-	-	(5,218,615)
Interest on long-term liabilities	95,614	-	-	-	(95,614)
Total Governmental Activities	\$ 31,504,286	\$ 1,166,735	\$ 4,430,210	\$ -	\$ (25,907,341)
General Revenues:					
Taxes:					
General purpose levies					6,528,462
Debt purpose levies					465,015
Unrestricted grants and contributions:					
State					16,094,092
Federal					945,632
Unrestricted investment earnings					50,052
Other					174,165
Total General Revenues					24,257,418
Change in Net Position					(1,649,923)
Net Position - Beginning					(7,842,126)
Net Position - Ending					\$ (9,492,049)

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

	Major Funds						
	General Fund	Title I, Part A Fund	Title II-A Improving Teacher Quality Fund	EHA Part B Fund	QSCB Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 7,365,182	\$ -	\$ -	\$ -	\$ -	\$ 1,023,254	\$ 8,388,436
Investments	-	-	-	-	1,253,929	-	1,253,929
Due from other governments	309,566	118,852	52,476	90,964	-	140,247	712,105
Due from other funds	280,680	-	-	-	-	-	280,680
Inventories	-	-	-	-	-	50,723	50,723
Total Assets	\$ 7,955,428	\$ 118,852	\$ 52,476	\$ 90,964	\$ 1,253,929	\$ 1,214,224	\$ 10,685,873
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 137,668	\$ -	\$ -	\$ 59	\$ -	\$ 15,856	\$ 153,583
Due to other funds	-	118,852	52,476	90,783	-	18,569	280,680
Unearned revenue	-	-	-	122	-	-	122
Total Liabilities	137,668	118,852	52,476	90,964	-	34,425	434,385
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	50,723	50,723
Restricted:							
Debt service	-	-	-	-	1,253,929	267,973	1,521,902
Capital improvements	-	-	-	-	-	67,500	67,500
Unemployment benefits	-	-	-	-	-	54,363	54,363
Grant Activities	-	-	-	-	-	739,240	739,240
Assigned:							
Student activities	395,734	-	-	-	-	-	395,734
Unassigned	7,422,026	-	-	-	-	-	7,422,026
Total Fund Balances	7,817,760	-	-	-	1,253,929	1,179,799	10,251,488
Total Liabilities and Fund Balances	\$ 7,955,428	\$ 118,852	\$ 52,476	\$ 90,964	\$ 1,253,929	\$ 1,214,224	\$ 10,685,873

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

		<u>Amount</u>
Total fund balances for governmental funds	\$	10,251,488
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	\$	600,235
Construction in progress		63,225
Buildings		29,363,436
Building improvements		6,027,518
Improvements other than buildings		1,189,146
Mobile equipment		3,779,405
Furniture and equipment		1,598,550
Accumulated depreciation		<u>(19,071,181)</u>
		23,550,334
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		(45,534,184)
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		9,436,625
Deferred inflows of resources related to pensions		<u>(1,522,363)</u>
		(37,619,922)
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:		
Notes payable		(2,310,000)
Capital lease obligations		(99,213)
Qualified school construction bond		(3,000,000)
Compensated absences		(233,343)
Accrued interest payable		<u>(31,393)</u>
		(5,673,949)
Net position of governmental activities	\$	<u><u>(9,492,049)</u></u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds						
	Title II-A						
	Improving Teacher						
	General	Title I, Part A	Quality	EHA Part B	QSCB	Other	Total
	Fund	Fund	Fund	Fund	Retirement	Governmental	Governmental
					Fund	Funds	Funds
Revenues:							
Local sources	\$ 7,512,344	\$ -	\$ -	\$ -	\$ 31,929	\$ 836,404	\$ 8,380,677
State sources	15,547,257	-	-	-	-	1,780,881	17,328,138
Federal sources	945,632	873,925	96,689	707,810	-	1,519,474	4,143,530
Total Revenues	<u>24,005,233</u>	<u>873,925</u>	<u>96,689</u>	<u>707,810</u>	<u>31,929</u>	<u>4,136,759</u>	<u>29,852,345</u>
Expenditures:							
Instruction	14,496,521	485,433	-	499,490	-	1,420,716	16,902,160
Support services	7,768,829	338,373	96,689	207,502	-	1,948,019	10,359,412
Noninstructional services	148,708	50,119	-	818	-	1,709,819	1,909,464
Facilities acquisition and construction	-	-	-	-	-	63,225	63,225
Debt service:							
Principal	246,655	-	-	-	-	1,360,000	1,606,655
Interest	9,298	-	-	-	-	98,967	108,265
Total Expenditures	<u>22,670,011</u>	<u>873,925</u>	<u>96,689</u>	<u>707,810</u>	<u>-</u>	<u>6,600,746</u>	<u>30,949,181</u>
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	<u>1,335,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,929</u>	<u>(2,463,987)</u>	<u>(1,096,836)</u>
Other Financing Sources (Uses):							
Proceeds of loans	-	-	-	-	-	2,500,000	2,500,000
Insurance loss recoveries	2,016	-	-	-	-	-	2,016
Sale of other property	-	-	-	-	-	-	-
Operating transfers in	60,000	-	-	-	209,000	35,620	304,620
Operating transfers out	(1,136)	-	-	-	-	(303,484)	(304,620)
Total Other Financing Sources (Uses)	<u>60,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,000</u>	<u>2,232,136</u>	<u>2,502,016</u>
Net Change in Fund Balances	1,396,102	-	-	-	240,929	(231,851)	1,405,180
Fund Balances:							
July 1, 2016	6,421,658	-	-	-	1,013,000	1,406,786	8,841,444
Increase (Decrease) in reserve for inventory						4,864	4,864
June 30, 2017	<u>\$ 7,817,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,253,929</u>	<u>\$ 1,179,799</u>	<u>\$ 10,251,488</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
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

		<u>Amount</u>
Net change in fund balances - total governmental funds	\$	1,405,180
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays 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	\$ 1,552,916	
Depreciation expense	<u>(1,113,965)</u>	438,951
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.		(2,362)
3. This 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.		
Issuance of long-term debt	(2,500,000)	
Payments of debt principal	1,606,655	
Accrued interest payable	<u>12,651</u>	(880,694)
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:		
Pension expense for the current year	(5,218,615)	
Pension contributions made subsequent to the measurement date	<u>2,594,703</u>	(2,623,912)
5. Some items reported in the statement of activities do not 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	8,050	
Change in inventory reserve	<u>4,864</u>	12,914
Change in net position of governmental activities	\$	<u><u>(1,649,923)</u></u>

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>1,541,910</u>
Total Assets	<u><u>1,541,910</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,433,451
Due to student clubs	<u>108,459</u>
Total Liabilities	\$ <u><u>1,541,910</u></u>

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

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

B. Government-wide and Fund Financial Statements

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

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

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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 is 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.

Title I, Part A Fund – This fund accounts for the revenues and expenditures of the Title I program.

Title II-A Improving Teacher Quality Fund – This fund accounts for revenues and expenditures of the Title II program.

EHA Part B Fund – This fund accounts for the revenues and expenditures of the Special Education Program's IDEA, Part B federal grant.

QSCB Retirement Fund – This fund is used to account for the repayment of the District's qualified school construction bond.

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 District's fiduciary funds include the following:

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

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

Student Club Funds – These funds are used to account for activity of various student clubs in the District.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Capital Projects Funds – Capital Project 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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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 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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

2. Receivables and Payables

Activity 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

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.

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

The following schedule details the capitalization thresholds:

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

* The threshold 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 future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The district has five types of deferred outflows all related to the district's pension: (1) the difference between expected and actual experience, (2) changes in assumptions, (3) net differences between projected and actual earnings on pension plan investments (4) changes in proportion and differences between employer contributions and proportionate share of contributions, and (5) district contributions subsequent to the measurement date.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The district has two types of deferred inflows related to the district's pension: (1) change in assumptions and (2) changes in proportion and differences between employer contributions and proportionate share of contributions.

See Note 7 and 11 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).

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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. 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

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

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

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interest 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

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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 the financial institutions reported in the governmental funds and fiduciary funds was \$8,388,436 and \$1,541,910, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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 (FDIC). 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 \$11,194,036 was exposed to custodial credit risk.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012-A	N/A	Various	\$ 1,253,929
Total			\$ <u>1,253,929</u>

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

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

- QSCB Construction Bonds Common Trust Funds 2012-A type of investments of \$1,253,929 are valued using quoted market prices (Level 1 inputs).

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

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

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Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the districts investments in QSCB Construction Bonds Common Trust Funds 2012-A, \$1,253,929, of underlying securities are held by the investments counterparty, not in the name of the district.

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

Issuer	Fair Value	% of Total Investments
QSCB Construction Bonds Common Trust Funds 2012-A	\$ 1,253,929	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I, Part A Fund	\$ 118,852
General Fund	Title II-A Improving Teacher Quality Fund	52,476
General Fund	EHA Part B Fund	90,783
General Fund	Other governmental funds	18,569
Total		\$ 280,680

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,136
Other governmental funds	General Fund	60,000
Other governmental funds	QSCB Retirement Fund	209,000
Other governmental funds	Other governmental funds	34,484
Total		\$ 304,620

The primary purpose of inter-fund transfers was to provide funds for daily operations. All transfers were routine and consistent with the activities of the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash and investment balance, totaling \$1,456,878 of debt service funds whose balances are legally restricted and may not be used except for their restricted purposes. Included in the restricted assets balance is the Investments balance of \$1,253,929 of the QSCB Bond Retirement Fund. The remaining \$202,949 represents debt service funds whose balances are restricted for future debt services requirements.

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Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 600,235	\$ -	\$ -	\$ 600,235
Construction in progress	-	63,225	-	63,225
Total non-depreciable capital assets	600,235	63,225	-	663,460
<u>Depreciable capital assets:</u>				
Buildings	29,363,436	-	-	29,363,436
Building improvements	6,027,518	-	-	6,027,518
Improvements other than buildings	1,189,146	-	-	1,189,146
Mobile equipment	2,373,022	1,430,000	23,617	3,779,405
Furniture and equipment	1,538,859	59,691	-	1,598,550
Total depreciable capital assets	40,491,981	1,489,691	23,617	41,958,055
<u>Less accumulated depreciation for:</u>				
Buildings	12,019,121	533,617	-	12,552,738
Building improvements	2,279,803	241,101	-	2,520,904
Improvements other than buildings	705,580	22,194	-	727,774
Mobile equipment	1,685,039	233,416	21,255	1,897,200
Furniture and equipment	1,288,928	83,637	-	1,372,565
Total accumulated depreciation	17,978,471	1,113,965	21,255	19,071,181
Total depreciable capital assets, net	22,513,510	375,726	2,362	22,886,874
Governmental activities capital assets, net	\$ 23,113,745	\$ 438,951	\$ 2,362	\$ 23,550,334

	Amount
Governmental Activities:	
Instruction	\$ 613,225
Support services	398,020
Non-instructional	102,720
Total Depreciation Expense	\$ 1,113,965

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

	Spent to June 30, 2017	Remaining Commitment
Belmont Weight Room	\$ 63,225	9,379
Total construction in progress	63,225	9,379

Construction projects are funded with 3 Mill Proceeds 2016 funds.

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Note 6 – Long-term Liabilities

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

	Balance 7/1/16	Additions	Reductions	Balance 6/30/17	Due within one year
A Three mill notes payable	\$ 1,170,000	\$ 2,500,000	\$ 1,360,000	\$ 2,310,000	\$ 190,000
B Obligations under capital lease	345,868	-	246,655	99,213	88,467
C Qualified school construction bond payable series 2009-B	3,000,000	-	-	3,000,000	-
D Compensated absences payable	241,393	-	8,050	233,343	-
	<u>\$ 4,757,261</u>	<u>\$ 2,500,000</u>	<u>\$ 1,614,705</u>	<u>\$ 5,642,556</u>	<u>\$ 278,467</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable, series 2016	2.07%	07/01/16	06/30/26	\$ 2,500,000	\$ 2,310,000
Total				<u>\$ 2,500,000</u>	<u>\$ 2,310,000</u>

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

Three mill notes payable issue of 07/01/16.

Year Ending June 30	Principal	Interest	Total
2018	\$ 190,000	\$ 47,817	\$ 237,817
2019	190,000	43,884	233,884
2020	195,000	39,951	234,951
2021	195,000	35,915	230,915
2022	200,000	31,878	231,878
2023-2026	1,340,000	80,937	1,420,937
Total	<u>\$ 2,310,000</u>	<u>\$ 280,382</u>	<u>\$ 2,590,382</u>

This debt will be retired from the 3 Mill 2016 Debt Fund.

B. Obligations under capital lease

The school district has entered into a lease agreement (Apple Lease 1) as lessee for financing the acquisition of computer hardware at a cost of \$266,895 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

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The school district has entered into a lease agreement (Apple Lease 2) as lessee for financing the acquisition of computer hardware at a cost of \$41,878 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

The school district has entered into a lease agreement (Apple Lease 3) as lessee for financing the acquisition of computer hardware at a cost of \$41,878 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Apple, Inc. Lease	2.79%	07/06/14	07/06/17	\$ 266,895	\$ 67,519
2. Apple, Inc. Lease	6.72%	11/17/14	11/17/17	41,878	10,787
3. Apple, Inc. Lease	5.75%	08/26/15	08/26/18	41,878	20,907
Total				<u>\$ 350,651</u>	<u>\$ 99,213</u>

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

1. Apple, Inc. Lease dated 07/06/14

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 67,519	\$ 1,887	\$ 69,406
Total	<u>\$ 67,519</u>	<u>\$ 1,887</u>	<u>\$ 69,406</u>

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.

This debt will be retired from the Local Technology Fund.

2. Apple, Inc. Lease dated 11/17/14

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 10,787	\$ 725	\$ 11,512
Total	<u>\$ 10,787</u>	<u>\$ 725</u>	<u>\$ 11,512</u>

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.

This debt will be retired from the Local Technology Fund.

3. Apple, Inc. Lease dated 08/26/15

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 10,161	\$ 1,202	\$ 11,363
2019	10,746	618	11,364
Total	<u>\$ 20,907</u>	<u>\$ 1,820</u>	<u>\$ 22,727</u>

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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.

This debt will be retired from the Local Technology Fund.

The following is a schedule of total obligation under capital leases for all issues:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 88,467	\$ 3,814	\$ 92,281
2019	10,746	618	11,364
Total	<u>\$ 99,213</u>	<u>\$ 4,432</u>	<u>\$ 103,645</u>

C. Qualified school construction bonds payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond series 2009-B	1.05%	12/04/09	09/15/24	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

Year Ending June 30	Principal	Interest	Total
2018	\$	\$ 31,500	\$ 31,500
2019		31,500	31,500
2020		31,500	31,500
2021		31,500	31,500
2022		31,500	31,500
2023-2025	<u>3,000,000</u>	<u>94,500</u>	<u>3,094,500</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 252,000</u>	<u>\$ 3,252,000</u>

D. Compensated absences payable

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

Note 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,

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as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

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 \$2,594,703, \$2,568,435 and \$2,636,795, 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 \$45,534,184 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 was 0.254915 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.01306 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.

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For the year ended June 30, 2017, the District recognized pension expense of \$5,218,615. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,297,104	\$ -
Net difference between projected and actual earnings on pension plan investments	3,050,952	-
Changes of assumptions	2,256,555	120,999
Changes in proportion and differences between District contributions and proportionate share of contributions	237,311	1,401,364
District contributions subsequent to the measurement date	2,594,703	-
Total	\$ <u>9,436,625</u>	\$ <u>1,522,363</u>

\$2,594,703 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:

Year ended June 30:	
2018	\$ 1,928,264
2019	1,124,477
2020	1,367,283
2021	899,535

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	3.0 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 on 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

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and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 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 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 58,385,033	\$ 45,534,184	\$ 34,872,145

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 - Contingencies

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

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

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Note 9 - Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 10 - Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount of deposit at June 30, 2017 was \$1,253,929. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 212,000
2019	215,000
2020	217,000
2021	219,000
2022	222,000
2023-2026	<u>693,000</u>
Total	<u>\$ 1,778,000</u>

Note 11 – Effects of Deferred Amounts on Net Position

The unrestricted net position amount of (\$30,134,718) includes the effect of deferring the recognition of expenses resulting from the deferred outflow from pensions. The \$9,436,625 balance of deferred outflows of resources at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$30,134,718) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$1,522,363 balance of deferred inflow of resources at June 30, 2017 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

Please reference Note 7 for details on amortization of deferred outflows/inflows related to pensions.

Note 12 – 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 Tishomingo County Special Municipal Separate School District evaluated the activity of the district for potential recognition and disclosure through March 7, 2018, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
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	\$ 7,057,472	\$ 7,057,472	\$ 7,512,344	\$ -	\$ 454,872
State sources	15,810,077	15,810,077	15,547,257	-	(262,820)
Federal sources	850,000	850,000	945,632	-	95,632
Total Revenues	<u>23,717,549</u>	<u>23,717,549</u>	<u>24,005,233</u>	<u>-</u>	<u>287,684</u>
Expenditures:					
Instruction	14,633,718	14,834,247	14,496,521	(200,529)	337,726
Support services	8,378,007	8,413,689	7,768,829	(35,682)	644,860
Noninstructional services	164,539	169,539	148,708	(5,000)	20,831
Facilities acquisition and construction	-	-	-	-	-
Debt Service:					
Principal	436,770	436,770	246,655	-	190,115
Interest	10,500	10,500	9,298	-	1,202
Total Expenditures	<u>23,623,534</u>	<u>23,864,745</u>	<u>22,670,011</u>	<u>(241,211)</u>	<u>1,194,734</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>94,015</u>	<u>(147,196)</u>	<u>1,335,222</u>	<u>(241,211)</u>	<u>1,482,418</u>
Other Financing Sources (Uses):					
Indirect costs	65,000	65,000	-	-	(65,000)
Proceeds of loans	-	-	-	-	-
Sale of other property	100	100	-	-	(100)
Sale of transportation equipment	-	-	-	-	-
Insurance recoveries	1,000	1,000	2,016	-	1,016
Other sources	100	100	-	-	(100)
Operating transfers in	2,677,326	2,677,326	60,000	-	(2,617,326)
Operating transfers out	(2,715,005)	(2,709,126)	(1,136)	5,879	2,707,990
Total Other Financing Sources (Uses)	<u>28,521</u>	<u>34,400</u>	<u>60,880</u>	<u>5,879</u>	<u>26,480</u>
Net Change in Fund Balances	<u>122,536</u>	<u>(112,796)</u>	<u>1,396,102</u>	<u>(235,332)</u>	<u>1,508,898</u>
Fund Balances:					
July 1, 2016	<u>5,032,836</u>	<u>6,421,658</u>	<u>6,421,658</u>	<u>1,388,822</u>	<u>-</u>
June 30, 2017	<u>\$ 5,155,372</u>	<u>\$ 6,308,862</u>	<u>\$ 7,817,760</u>	<u>\$ 1,153,490</u>	<u>\$ 1,508,898</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Budgetary Comparison Schedule - Title I, Part A 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:					
Federal sources	\$ 789,921	\$ 789,921	\$ 873,925	\$ -	\$ 84,004
Total Revenues	<u>789,921</u>	<u>789,921</u>	<u>873,925</u>	<u>-</u>	<u>84,004</u>
Expenditures:					
Instruction	394,134	541,777	485,433	(147,643)	56,344
Support services	345,453	365,833	338,373	(20,380)	27,460
Noninstructional services	50,334	57,941	50,119	(7,607)	7,822
Total Expenditures	<u>789,921</u>	<u>965,551</u>	<u>873,925</u>	<u>(175,630)</u>	<u>91,626</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(175,630)</u>	<u>-</u>	<u>(175,630)</u>	<u>175,630</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(175,630)</u>	<u>-</u>	<u>(175,630)</u>	<u>175,630</u>
Fund Balances:					
July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2017	<u>\$ -</u>	<u>\$ (175,630)</u>	<u>\$ -</u>	<u>\$ (175,630)</u>	<u>\$ 175,630</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Budgetary Comparison Schedule - Title II-A Improving Teacher Quality 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:					
Federal sources	\$ 35,711	\$ 35,711	\$ 96,689	\$ -	\$ 60,978
Total Revenues	<u>35,711</u>	<u>35,711</u>	<u>96,689</u>	<u>-</u>	<u>60,978</u>
Expenditures:					
Instruction	-	-	-	-	-
Support services	35,711	128,480	96,689	(92,769)	31,791
Noninstructional services	-	-	-	-	-
Total Expenditures	<u>35,711</u>	<u>128,480</u>	<u>96,689</u>	<u>(92,769)</u>	<u>31,791</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(92,769)</u>	<u>-</u>	<u>(92,769)</u>	<u>92,769</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(92,769)</u>	<u>-</u>	<u>(92,769)</u>	<u>92,769</u>
Fund Balances:					
July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2017	<u>\$ -</u>	<u>\$ (92,769)</u>	<u>\$ -</u>	<u>\$ (92,769)</u>	<u>\$ 92,769</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Budgetary Comparison Schedule - EHA Part B 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:					
Federal sources	\$ 750,544	\$ 750,544	\$ 707,810	\$ -	\$ (42,734)
Total Revenues	<u>750,544</u>	<u>750,544</u>	<u>707,810</u>	<u>-</u>	<u>(42,734)</u>
Expenditures:					
Instruction	512,856	540,964	499,490	(28,108)	41,474
Support services	227,688	239,066	207,502	(11,378)	31,564
Noninstructional services	1,000	1,000	818	-	182
Total Expenditures	<u>741,544</u>	<u>781,030</u>	<u>707,810</u>	<u>(39,486)</u>	<u>73,220</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,000</u>	<u>(30,486)</u>	<u>-</u>	<u>(39,486)</u>	<u>30,486</u>
Other Financing Sources (Uses):					
Operating transfers out	(9,000)	-	-	9,000	-
Total Other Financing Sources (Uses)	<u>(9,000)</u>	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(30,486)</u>	<u>-</u>	<u>(30,486)</u>	<u>30,486</u>
Fund Balances:					
July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2017	<u>\$ -</u>	<u>\$ (30,486)</u>	<u>\$ -</u>	<u>\$ (30,486)</u>	<u>\$ 30,486</u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS**

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.2549150%	0.2679750%	0.2688230%
District's proportionate share of the net pension liability (asset)	\$ 45,534,184	\$ 41,423,651	\$ 32,630,190
District's covered payroll	\$ 16,307,526	\$ 16,741,558	\$ 16,426,501
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.63%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

* 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 6/30/16, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,594,703	\$ 2,568,435	\$ 2,636,795
Contributions in relation to the contractually required contribution	<u>(2,594,703)</u>	<u>(2,568,435)</u>	<u>(2,636,795)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 16,474,306	 16,307,526	 16,741,558
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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.

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

Pension Schedules

(1) Change of assumptions.

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

2016:

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

SUPPLEMENTARY INFORMATION

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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 Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 337,058
National school lunch program	10.555	1,040,615
Summer food service program for children	10.559	24,102
Total Child Nutrition Cluster		<u>1,401,775</u>
Total passed through Mississippi Department of Education		<u>1,401,775</u>
Total U.S. Department of Agriculture		<u><u>1,401,775</u></u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	151,460
Total Federal Communications Commission		<u>151,460</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	873,925
Career and technical education-basic grants to states	84.048	16,412
Rural education	84.358	52,952
English language acquisition grants	84.365	6,539
Improving teacher quality-state grants	84.367	96,689
Subtotal		<u>1,046,517</u>
Special education cluster:		
Special education-grants to states	84.027	707,810
Special education-preschool grants	84.173	41,795
Total special education cluster		<u>749,605</u>
Total passed through Mississippi Department of Education		<u>1,796,122</u>
Total U.S. Department of Education		<u><u>1,796,122</u></u>
<u>U.S. Department of Health and Human Services</u>		
Pass-Through Mississippi Department of Education		
Medicaid assistance program	93.778	21,220
Total passed through Mississippi Department of Education		<u>21,220</u>
Total U.S. Department of Health and Human Services		<u><u>21,220</u></u>
Total for All Federal Awards		<u><u>\$ 3,370,577</u></u>

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

TISHOMINGO SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Tishomingo Special Municipal Separate 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 Tishomingo Special Municipal Separate School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Tishomingo Special Municipal Separate School District.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Non-Cash Awards

The Tishomingo Special Municipal Separate School District is the recipient of certain non-cash assistance in the form of donated commodities received from the U.S. Department of Agriculture. Revenues and expenditures are recorded for the value of commodities received. In addition, the Tishomingo Special Municipal Separate School District may receive certain other non-cash assistance from federal and state awarding agencies. The amount of non-cash assistance received at June 30, 2017 was \$81,228.

Note 4 – Indirect Cost Rate

The Tishomingo Special Municipal Separate School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits \$	22,286,020	17,438,743	651,705	1,725,743	2,469,829
Other	8,663,161	1,880,485	208,750	26,648	6,547,278
Total	\$ <u>30,949,181</u>	<u>19,319,228</u>	<u>860,455</u>	<u>1,752,391</u>	<u>9,017,107</u>
Total number of students *	<u>2,748</u>				
Cost per student \$	<u>11,262</u>	<u>7,030</u>	<u>313</u>	<u>638</u>	<u>3,281</u>

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

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

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

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

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

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

OTHER INFORMATION

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances -
General Fund, Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 7,512,344	\$ 7,341,289	\$ 6,708,149	\$ 6,206,057
State sources	15,547,257	15,340,877	14,743,845	14,044,141
Federal sources	945,632	938,975	958,330	1,059,160
Total Revenues	<u>24,005,233</u>	<u>23,621,141</u>	<u>22,410,324</u>	<u>21,309,358</u>
Expenditures:				
Instruction	14,496,521	13,790,677	14,964,604	14,426,798
Support services	7,768,829	8,137,765	8,108,721	8,210,196
Noninstructional services	148,708	145,153	180,950	176,633
Facilities acquisition and construction	-	-	26,206	32,800
Debt service:				
Principal	246,655	320,423	457,272	346,820
Interest	9,298	13,038	11,896	18,625
Total Expenditures	<u>22,670,011</u>	<u>22,407,056</u>	<u>23,749,649</u>	<u>23,211,872</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,335,222</u>	<u>1,214,085</u>	<u>(1,339,325)</u>	<u>(1,902,514)</u>
Other Financing Sources (Uses):				
Proceeds of loans	-	41,878	308,773	-
Insurance loss recoveries	2,016	3,430	126,545	3,573
Sale of other property	-	-	81,803	30,297
Operating transfers in	60,000	60,000	-	-
Operating transfers out	(1,136)	(144,942)	(3,331)	(185,910)
Total Other Financing Sources (Uses)	<u>60,880</u>	<u>(39,634)</u>	<u>513,790</u>	<u>(152,040)</u>
Net Change in Fund Balances	1,396,102	1,174,451	(825,535)	(2,054,554)
Fund Balances:				
Beginning of period	<u>6,421,658</u>	<u>5,247,207</u>	<u>6,072,742</u>	<u>8,127,296</u>
End of Period	<u>\$ 7,817,760</u>	<u>\$ 6,421,658</u>	<u>\$ 5,247,207</u>	<u>\$ 6,072,742</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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	\$ 8,380,677	\$ 8,164,702	\$ 7,556,766	\$ 7,079,788
State sources	17,328,138	17,127,620	16,456,404	15,708,548
Federal sources	4,143,530	4,101,149	3,996,244	4,121,605
Total Revenues	<u>29,852,345</u>	<u>29,393,471</u>	<u>28,009,414</u>	<u>26,909,941</u>
Expenditures:				
Instruction	16,902,160	16,290,776	17,255,832	16,826,314
Support services	10,359,412	9,275,072	9,198,879	9,286,897
Noninstructional services	1,909,464	2,016,413	1,960,680	1,993,385
Facilities acquisition and construction	63,225	-	30,096	89,452
Debt service:				
Principal	1,606,655	430,423	562,272	446,820
Interest	108,265	93,906	97,096	107,956
Total Expenditures	<u>30,949,181</u>	<u>28,106,590</u>	<u>29,104,855</u>	<u>28,750,824</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,096,836)</u>	<u>1,286,881</u>	<u>(1,095,441)</u>	<u>(1,840,883)</u>
Other Financing Sources (Uses):				
Proceeds of loans	2,500,000	41,878	308,773	-
Insurance loss recoveries	2,016	3,430	126,545	3,573
Sale of other property	-	440	469	30,436
Operating transfers in	304,620	514,061	396,860	483,324
Operating transfers out	(304,620)	(514,061)	(396,860)	(483,324)
Total Other Financing Sources (Uses)	<u>2,502,016</u>	<u>45,748</u>	<u>435,787</u>	<u>34,009</u>
Net Change in Fund Balances	1,405,180	1,332,629	(659,654)	(1,806,874)
Fund Balances:				
Beginning of period	8,841,444	7,513,689	8,156,811	9,973,439
Increase (Decrease) in reserve for inventory	<u>4,864</u>	<u>(4,874)</u>	<u>16,532</u>	<u>(9,754)</u>
End of Period	<u>\$ 10,251,488</u>	<u>\$ 8,841,444</u>	<u>\$ 7,513,689</u>	<u>\$ 8,156,811</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Tishomingo County Special Municipal Separate School District's basic financial statements, and have issued our report thereon dated March 7, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tishomingo County Special Municipal Separate School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

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

Purpose of this Report

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

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
March 7, 2018

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

Superintendent and School Board
Tishomingo County Special Municipal Separate School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate 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 of Tishomingo County Special Municipal Separate School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
March 7, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS**



Certified Public Accountants

Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Tishomingo County Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2017, which collectively comprise Tishomingo County Special Municipal Separate School District's basic financial statements and have issued our report thereon dated March 7, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
March 7, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 5. | Type of auditors' 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: | |
|----|-----------------------------------|--|

Title I, Part A	
84.010	Title I Grants to Local Educational Agencies
Special Education Cluster	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

- | | | |
|----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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