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Tate County School District

Audited Financial Statements
For the Year Ended June 30, 2018

Fortenberry & Ballard, PC
Certified Public Accountants

Tate County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Tate County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Tate County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

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, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 16 and 52 to 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 January 18, 2019, on our consideration of the Tate County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tate County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tate County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 18, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The following discussion and analysis of Tate County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. 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 2018 decreased \$813,083, including a prior period adjustment of (\$1,879,112) due to the recording of the net OPEB liability and the related deferred inflows and outflows, which represents a 31% decrease from fiscal year 2017. Total net position for 2017 decreased \$333,470, including a prior period adjustment of (\$324,689), which represents an 11% decrease from fiscal year 2016.
- General revenues amounted to \$20,119,715 and \$20,764,807, or 81% and 83% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,683,031, or 19% of total revenues for 2018, and \$4,326,930, or 17% of total revenues for 2017.
- The District had \$23,736,717 and \$25,100,518 in expenses for fiscal years 2018 and 2017; only \$4,683,031 for 2018 and \$4,326,930 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,119,715 for 2018 were adequate to provide for these programs. General revenues of \$20,764,807 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$17,287,807 in revenues and \$15,981,315 in expenditures for 2018, and \$17,991,898 in revenues and \$16,854,657 in expenditures in 2017. The General Fund's fund balance decreased by \$82,665 from 2017 to 2018, and increased by \$1,121,012, including a prior period adjustment of \$35,199, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$103,796 for 2018 and decreased by \$1,524,370 for 2017. The increase for 2018 was due primarily to the ongoing construction of school facilities and the addition of various items of mobile equipment and furniture and equipment.
- Long-term debt, excluding capital related bond premiums and compensated absences, decreased by \$253,723 for 2018 and decreased by \$2,233,649 for 2017. The decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$3,062 for 2018 and increased by \$16,008 for 2017.

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

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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.

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, OPEB 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

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are 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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,801,531 as of June 30, 2018.

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

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 15,335,766	\$ 13,558,460	13.11 %
Restricted assets	1,273,579	23,915	5,225.44 %
Capital assets, net	20,226,939	20,123,143	0.52 %
Total assets	36,836,284	33,705,518	9.29 %
Deferred outflows of resources	3,774,827	6,915,325	(45.41) %
Current liabilities	763,038	477,921	59.66 %
Long-term debt outstanding	7,171,795	7,440,620	(3.61) %
Net OPEB liability	1,887,214	-	N/A %
Net pension liability	28,255,448	29,677,288	(4.79) %
Total liabilities	38,077,495	37,595,829	1.28 %
Deferred inflows of resources	732,085	410,400	78.38 %
Net position:			
Net investment in capital assets	14,852,418	13,352,055	11.24 %
Restricted	1,870,849	1,931,227	(3.13) %
Unrestricted	(14,921,736)	(12,668,668)	(17.78) %
Total net position	\$ 1,801,531	\$ 2,614,614	(31.10) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (14,921,736)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	27,321,086
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 12,399,350

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 \$103,796.
- The principal retirement of \$2,299,075 of long-term debt.
- The issuance of three mill notes payable of \$1,975,000 and inception of leases payable of \$70,352.
- Recognition of the net pension liability in the amount of \$28,255,448.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$1,887,214.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$24,802,746 and \$25,091,737, respectively. The total cost of all programs and services was \$23,736,717 for 2018 and \$25,100,518 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 738,956	\$ 615,172	20.12 %
Operating grants and contributions	3,944,075	3,711,758	6.26 %
General revenues:			
Property taxes	6,161,717	6,084,506	1.27 %
Grants and contributions not restricted	13,717,304	14,481,651	(5.28) %
Investment earnings	210,731	77,484	171.97 %
Other	29,963	121,166	(75.27) %
Total revenues	<u>24,802,746</u>	<u>25,091,737</u>	(1.15) %
Expenses:			
Instruction	10,378,479	10,626,242	(2.33) %
Support services	8,141,861	9,319,746	(12.64) %
Non-instructional	1,242,381	1,348,675	(7.88) %
Pension expense	3,612,251	3,541,050	2.01 %
OPEB expense	95,243	-	N/A %
Interest on long-term liabilities	266,502	264,805	0.64 %
Total expenses	<u>23,736,717</u>	<u>25,100,518</u>	(5.43) %
Increase (Decrease) in net position	<u>1,066,029</u>	<u>(8,781)</u>	12,240.18 %
Net Position, July 1, as previously reported	<u>2,614,614</u>	<u>2,948,084</u>	(11.31) %
Prior Period Adjustment	<u>(1,879,112)</u>	<u>(324,689)</u>	(478.74) %
Net Position, July 1, as restated	<u>735,502</u>	<u>2,623,395</u>	(71.96) %
Net Position, June 30	<u><u>\$ 1,801,531</u></u>	<u><u>\$ 2,614,614</u></u>	(31.10) %

**TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage
	2018	2017	Change
Instruction	\$ 10,378,479	\$ 10,626,242	(2.33) %
Support services	8,141,861	9,319,746	(12.64) %
Non-instructional	1,242,381	1,348,675	(7.88) %
Pension expense	3,612,251	3,541,050	2.01 %
OPEB expense	95,243	-	N/A %
Interest on long-term liabilities	266,502	264,805	0.64 %
Total expenses	\$ 23,736,717	\$ 25,100,518	(5.43) %

	Net (Expense) Revenue		Percentage
	2018	2017	Change
Instruction	\$ (8,564,324)	\$ (8,968,062)	4.50 %
Support services	(6,623,872)	(8,134,448)	18.57 %
Non-instructional	108,506	134,777	(19.49) %
Pension expense	(3,612,251)	(3,541,050)	(2.01) %
OPEB expense	(95,243)	-	N/A %
Interest on long-term liabilities	(266,502)	(264,805)	(0.64) %
Total net (expense) revenue	\$ (19,053,686)	\$ (20,773,588)	8.28 %

- Net cost of governmental activities (\$19,053,686 for 2018 and \$20,773,588 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$6,161,717 for 2018 and \$6,084,506 for 2017) and state and federal revenues (\$13,717,304 for 2018 and \$14,481,651 for 2017).
- Investment earnings amounted to \$210,731 for 2018 and \$77,484 for 2017.

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.

**TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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 \$15,865,046, an increase of \$2,741,820, which includes a decrease in inventory of \$2,709. \$11,005,352, or 69% 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 \$4,859,694, or 31% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$82,665. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,192,260, which includes a decrease in inventory of \$2,709. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
Federal SPED Fund	no increase or decrease
Capital Projects Fund	\$ 1,632,225

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared to the total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$33,382,864, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$918,378 from 2017 due primarily to the ongoing construction of school facilities and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2018, was \$13,155,925, and total depreciation expense for the year was \$830,114, resulting in total net capital assets of \$20,226,939.

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 500,701	\$ 500,701	0.00 %
Construction in Progress	658,401	57,370	1,047.64 %
Buildings	16,588,910	17,027,384	(2.58) %
Building improvements	143,696	154,749	(7.14) %
Improvements other than buildings	583,112	626,037	(6.86) %
Mobile equipment	1,442,549	1,410,429	2.28 %
Furniture and equipment	309,570	346,473	(10.65) %
Total	<u>\$ 20,226,939</u>	<u>\$ 20,123,143</u>	0.52 %

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

Debt Administration. At June 30, 2018, the District had \$7,138,437 in outstanding long-term debt, of which \$1,871,196 is due within one year. During the fiscal year, the District made principal payments totaling \$2,299,075 on outstanding long term debt. The District received proceeds from the issuance of a three mill note in the amount of \$1,975,000 and the District entered into a lease for computer equipment in the amount of \$70,352. The liability for compensated absences decreased \$3,062 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 5,030,000	\$ 6,670,000	(24.59) %
Limited obligation bonds payable	-	352,000	(100.00) %
Three mill notes payable	1,785,000	-	N/A %
Obligations under leases payable	235,863	282,586	(16.53) %
Compensated absences payable	87,574	90,636	(3.38) %
Total	<u>\$ 7,138,437</u>	<u>\$ 7,395,222</u>	(3.47) %

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

CURRENT ISSUES

The Tate County School District is financially stable. The District is proud of its community support of the public schools.

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

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

TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Tate County School District, 574 Parkway Street, Coldwater, MS 38618.

FINANCIAL STATEMENTS

TATE COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2018

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,668,522
Due from other governments	657,112
Inventories	10,132
Restricted assets	1,273,579
Capital assets, non-depreciable:	
Land	500,701
Construction in progress	658,401
Capital assets, net of accumulated depreciation:	
Buildings	16,588,910
Building improvements	143,696
Improvements other than buildings	583,112
Mobile equipment	1,442,549
Furniture and equipment	309,570
Total Assets	<u>36,836,284</u>
Deferred Outflows of Resources	
Deferred outflows - advance refunding of debt	221,166
Deferred outflows - pensions	3,464,251
Deferred outflows - OPEB	89,410
Total Deferred Outflows of Resources	<u>3,774,827</u>
Liabilities	
Accounts payable and accrued liabilities	744,299
Interest payable on long-term liabilities	18,739
Long-term liabilities, due within one year:	
Capital related liabilities	1,750,000
Non-capital related liabilities	121,196
Net OPEB liability	77,305
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,065,000
Capital related bond premiums	33,358
Non-capital related liabilities	202,241
Net pension liability	28,255,448
Net OPEB liability	1,809,909
Total Liabilities	<u>38,077,495</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	635,989
Deferred inflows - OPEB	96,096
Total Deferred Inflows of Resources	<u>732,085</u>
Net Position	
Net investment in capital assets	14,852,418
Restricted for:	
Expendable:	
School-based activities	1,482,488
Debt service	332,639
Unemployment benefits	55,722
Unrestricted	(14,921,736)
Total Net Position	<u>\$ 1,801,531</u>

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

TATE COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2018

Exhibit B

				Net (Expense) Revenue and Changes in Net Position
		Program Revenues		
			Operating	
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 10,378,479	\$ 379,854	\$ 1,434,301	\$ (8,564,324)
Support services	8,141,861	175,708	1,342,281	(6,623,872)
Non-instructional	1,242,381	183,394	1,167,493	108,506
Pension expense	3,612,251	-	-	(3,612,251)
OPEB expense	95,243	-	-	(95,243)
Interest on long-term liabilities	266,502	-	-	(266,502)
Total Governmental Activities	\$ 23,736,717	\$ 738,956	\$ 3,944,075	\$ (19,053,686)

General Revenues:

Taxes:

General purpose levies

4,174,806

Debt purpose levies

1,986,911

Unrestricted grants and contributions:

State

13,514,581

Federal

202,723

Unrestricted investment earnings

210,731

Other

29,963

Total General Revenues

20,119,715

Change in Net Position

1,066,029

Net Position - Beginning, as previously reported

2,614,614

Prior Period Adjustments

(1,879,112)

Net Position - Beginning, as restated

735,502

Net Position - Ending

\$ 1,801,531

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

TATE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2018

Exhibit C

	Major Funds				Other	Total
	General	Title I	Federal SPED	Capital Projects	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 11,031,106	\$ -	\$ -	\$ 1,800,000	\$ 3,110,863	\$ 15,941,969
Cash with fiscal agents	-	-	-	-	132	132
Due from other governments	203,536	207,091	142,989	-	103,496	657,112
Due from other funds	353,825	-	-	-	-	353,825
Inventories	-	-	-	-	10,132	10,132
Total assets	<u>\$ 11,588,467</u>	<u>\$ 207,091</u>	<u>\$ 142,989</u>	<u>\$ 1,800,000</u>	<u>\$ 3,224,623</u>	<u>\$ 16,963,170</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 528,857	\$ -	\$ 26,378	\$ 167,775	\$ 21,289	\$ 744,299
Due to other funds	-	207,091	116,611	-	30,123	353,825
Total Liabilities	<u>528,857</u>	<u>207,091</u>	<u>142,989</u>	<u>167,775</u>	<u>51,412</u>	<u>1,098,124</u>
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	10,132	10,132
Restricted:						
Debt service	-	-	-	-	351,378	351,378
Capital projects	-	-	-	-	1,252,671	1,252,671
Grant activities	-	-	-	-	9,416	9,416
Unemployment benefits	-	-	-	-	55,722	55,722
Food service	-	-	-	-	1,023,096	1,023,096
Senatobia/Tate Vo-Tech renovations	-	-	-	-	439,844	439,844
Committed:						
District improvements/renovations	-	-	-	1,632,225	30,952	1,663,177
Assigned:						
Activity funds	54,258	-	-	-	-	54,258
Unassigned	<u>11,005,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,005,352</u>
Total Fund Balances	<u>11,059,610</u>	<u>-</u>	<u>-</u>	<u>1,632,225</u>	<u>3,173,211</u>	<u>15,865,046</u>
Total Liabilities and Fund Balances	<u>\$ 11,588,467</u>	<u>\$ 207,091</u>	<u>\$ 142,989</u>	<u>\$ 1,800,000</u>	<u>\$ 3,224,623</u>	<u>\$ 16,963,170</u>

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

TATE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018**

Exhibit C-1

Total fund balances for governmental funds **\$ 15,865,046**

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

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

Land	\$ 500,701	
Construction in progress	658,401	
Buildings	25,378,114	
Building improvements	276,338	
Improvements other than buildings	1,073,119	
Mobile equipment	4,514,303	
Furniture and equipment	981,888	
Accumulated depreciation	<u>(13,155,925)</u>	20,226,939

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 (28,255,448)

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	3,464,251	
Deferred inflows of resources related to pensions	<u>(635,989)</u>	(25,427,186)

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

Net OPEB liability (1,887,214)

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	89,410	
Deferred inflows of resources related to OPEB	<u>(96,096)</u>	(1,893,900)

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

General obligation bonds	(5,030,000)	
Notes payable	(1,785,000)	
Lease obligations	(235,863)	
Compensated absences	(87,574)	
Unamortized charges	221,166	
Unamortized premiums	(33,358)	
Accrued interest payable	<u>(18,739)</u>	(6,969,368)

Net position of governmental activities

\$ 1,801,531

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

TATE COUNTY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Federal SPED Fund	Capital Projects Fund		
Revenues:						
Local sources	\$ 4,373,362	\$ -	\$ -	\$ -	\$ 2,592,298	\$ 6,965,660
State sources	12,711,723	-	-	-	1,380,658	14,092,381
Federal sources	202,722	1,027,924	621,793	-	1,716,558	3,568,997
Total Revenues	17,287,807	1,027,924	621,793	-	5,689,514	24,627,038
Expenditures:						
Instruction	9,237,331	579,198	174,784	-	1,085,908	11,077,221
Support services	6,622,659	289,900	433,536	-	1,378,989	8,725,084
Noninstructional services	-	5,190	879	-	1,191,658	1,197,727
Facilities acquisition and construction	-	-	-	167,775	433,256	601,031
Debt service:						
Principal	117,075	-	-	-	2,182,000	2,299,075
Interest	4,250	-	-	-	172,813	177,063
Other	-	-	-	-	26,368	26,368
Total Expenditures	15,981,315	874,288	609,199	167,775	6,470,992	24,103,569
Excess (Deficiency) of Revenues over (under) Expenditures	1,306,492	153,636	12,594	(167,775)	(781,478)	523,469
Other Financing Sources (Uses):						
Notes issued	-	-	-	-	1,975,000	1,975,000
Inception of leases	70,352	-	-	-	-	70,352
Insurance recovery	-	-	-	-	175,708	175,708
Operating transfers in	427,417	2,960	1,191	1,800,000	994,721	3,226,289
Operating transfers out	(1,886,926)	(156,596)	(13,785)	-	(1,168,982)	(3,226,289)
Total Other Financing Sources (Uses)	(1,389,157)	(153,636)	(12,594)	1,800,000	1,976,447	2,221,060
Net Change in Fund Balances	(82,665)	-	-	1,632,225	1,194,969	2,744,529
Fund Balances:						
July 1, 2017	11,142,275	-	-	-	1,980,951	13,123,226
Increase (Decrease) in inventory	-	-	-	-	(2,709)	(2,709)
June 30, 2018	\$ 11,059,610	\$ -	\$ -	\$ 1,632,225	\$ 3,173,211	\$ 15,865,046

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

TATE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 2,744,529

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

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

Capital outlay	\$ 934,067	
Depreciation expense	<u>(830,114)</u>	103,953

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. (157)

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

Notes issued	(1,975,000)	
Inception of leases	(70,352)	
Payments of debt principal	2,299,075	
Accrued interest payable	<u>33</u>	253,756

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	(3,612,251)	
Contributions subsequent to the measurement date	<u>1,653,738</u>	(1,958,513)

5. Some items relating to OPEB 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:

OPEB expense	(95,243)	
Contributions subsequent to the measurement date	<u>80,455</u>	(14,788)

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

Change in compensated absences	3,062	
Change in inventory	(2,709)	
Amortization of deferred charges, premiums and discounts	<u>(63,104)</u>	(62,751)

Change in net position of governmental activities	\$	<u>1,066,029</u>
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The notes to the financial statements are an integral part of this statement.

TATE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2018

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 606,439
Due from other governments	161
Total Assets	<u>\$ 606,600</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 582,098
Due to student clubs	24,502
Total Liabilities	<u>\$ 606,600</u>

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

Tate County School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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.

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund - This is a special revenue fund that accounts for revenues and expenditures related to the District's Title I Fund.

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

Capital Projects Fund - This is a capital projects fund that accounts for revenues transferred from the General Fund and expenditures incurred related to the construction and/or renovation of school facilities.

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 serves as a clearing fund for payroll type transactions.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

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.

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.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district have deferred outflows which are presented as a deferred outflow from advance refunding of debt, a deferred outflow related to pensions, and a deferred outflow related to OPEB.

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

See Note 15 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Fiduciary net position was zero as of the measurement date of June 30, 2017.

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board.

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

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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

13. New Pronouncements

In June 2017, the GASB issued GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This statement is effective for fiscal years beginning after June 15, 2017.

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

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

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

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$15,941,969 and \$606,439, respectively. The carrying amount of deposits reported in the government-wide financial statements includes cash and cash equivalents of \$14,668,522 and a portion of restricted assets in the amount of \$1,273,447 (see Note 4). The bank balance was \$17,989,915.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the district's bank balance of \$17,989,915 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$132.

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 Fund	\$ 207,091
	Federal SPED Fund	116,611
	Other governmental funds	30,123
Total		<u>\$ 353,825</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Title I Fund	\$ 2,960
	Federal SPED Fund	1,191
	Capital Projects Fund	1,800,000
	Other governmental funds	82,775
Title I Fund	General Fund	22,593
	Other governmental funds	134,003
Federal SPED Fund	General Fund	13,785
Other governmental funds	General Fund	391,039
	Other governmental funds	777,943
Total		<u>\$ 3,226,289</u>

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

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

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance totaling \$132 of the MAEP Limited Obligation Bond Fund. In addition, the restricted assets include cash and cash equivalents totaling \$1,273,447 of the 3 Mill Note Proceeds Fund resulting from the unspent proceeds of long-term debt.

Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 500,701	\$	\$	\$ 500,701
Construction-in-progress	57,370	601,031		658,401
Total non-depreciable capital assets	558,071	601,031	-	1,159,102
<u>Depreciable capital assets:</u>				
Buildings	25,378,114			25,378,114
Building improvements	276,338			276,338
Improvements other than buildings	1,073,119			1,073,119
Mobile equipment	4,248,413	265,890		4,514,303
Furniture and equipment	930,431	67,146	15,689	981,888
Total depreciable capital assets	31,906,415	333,036	15,689	32,223,762
<u>Less accumulated depreciation for:</u>				
Buildings	8,350,730	438,474		8,789,204
Building improvements	121,589	11,053		132,642
Improvements other than buildings	447,082	42,925		490,007
Mobile equipment	2,837,984	233,770		3,071,754
Furniture and equipment	583,958	103,892	15,532	672,318
Total accumulated depreciation	12,341,343	830,114	15,532	13,155,925
Total depreciable capital assets, net	19,565,072	(497,078)	157	19,067,837
Governmental activities capital assets, net	\$ 20,123,143	\$ 103,953	\$ 157	\$ 20,226,939

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 450,258
Support services	286,838
Non-instructional	93,018
Total depreciation expense	\$ 830,114

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

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

	Spent to June 30, 2018	Remaining Commitment
Governmental Activities:		
IHS Classroom Addition	\$ 490,626	\$ 548,331
CAC Fieldhouse	46,973	618,919
IHS Locker Room	43,665	511,245
SHS Locker Room	46,613	582,285
ETE Playground	17,848	143,180
SHS Playground	12,676	90,360
Total construction in progress	<u>\$ 658,401</u>	<u>\$ 2,494,320</u>

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation bonds payable	\$ 6,670,000	\$	\$ 1,640,000	\$ 5,030,000	\$ 1,570,000
B. Limited obligation bonds payable	352,000		352,000	-	-
C. Three mill notes payable	-	1,975,000	190,000	1,785,000	180,000
D. Obligations under leases payable	282,586	70,352	117,075	235,863	116,817
E. Compensated absences payable	90,636		3,062	87,574	4,379
Total	<u>\$ 7,395,222</u>	<u>\$ 2,045,352</u>	<u>\$ 2,302,137</u>	<u>\$ 7,138,437</u>	<u>\$ 1,871,196</u>

	Balance 7/1/2017	Additions	Change	Balance 6/30/2018
Premiums	\$ 45,398	-	12,040	33,358

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2012	1.0%-2.5%	8/15/2012	6/1/2022	\$ 5,485,000	3,220,000
2. General obligation refunding bonds, Series 2013	0.75%-2.0%	4/10/2013	6/1/2020	5,380,000	1,810,000
Total				<u>\$ 10,865,000</u>	<u>\$ 5,030,000</u>

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

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

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 610,000	\$ 74,170	\$ 684,170
2020	790,000	61,970	851,970
2021	910,000	44,590	954,590
2022	910,000	22,750	932,750
Total	\$ 3,220,000	\$ 203,480	\$ 3,423,480

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

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 960,000	\$ 33,800	\$ 993,800
2020	850,000	17,000	867,000
Total	\$ 1,810,000	\$ 50,800	\$ 1,860,800

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,570,000	\$ 107,970	\$ 1,677,970
2020	1,640,000	78,970	1,718,970
2021	910,000	44,590	954,590
2022	910,000	22,750	932,750
Total	\$ 5,030,000	\$ 254,280	\$ 5,284,280

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2017.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

B. Limited obligation bonds payable

This debt was paid off and retired during the fiscal year from the MAEP Bond Retirement Fund (4041).

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2017	1.5%-2.55%	8/16/2017	5/1/2027	\$ 1,975,000	\$ 1,785,000

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 180,000	\$ 36,850	\$ 216,850
2020	185,000	33,970	218,970
2021	190,000	30,825	220,825
2022	195,000	27,405	222,405
2023	200,000	23,700	223,700
2024 – 2027	835,000	50,098	885,098
Total	\$ 1,785,000	\$ 202,848	\$ 1,987,848

This debt will be retired from the 3 Mill Levy - 2017 Debt Service Fund (4022).

D. Obligations under leases payable

The school district has entered into lease agreements as lessee for financing the acquisition of computer equipment at a cost of \$379,154 and \$70,352. These leases do not qualify as capital leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. 2016 Master Lease Purchase	1.50%	6/15/2016	7/15/2019	\$ 379,154	\$ 189,793
2. 2018 Master Lease Purchase	3.59%	9/28/2017	9/28/2019	70,352	46,070
Total				\$ 449,506	\$ 235,863

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

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

1. Obligations under leases payable issued on June 15, 2016:

Year Ending June 30	Principal	Interest	Total
2019	\$ 94,188	\$ 2,855	\$ 97,043
2020	95,605	1,438	97,043
Total	\$ 189,793	\$ 4,293	\$ 194,086

This debt will be retired from the District Maintenance Fund.

2. Obligations under leases payable issued on September 28, 2017:

Year Ending June 30	Principal	Interest	Total
2019	\$ 22,629	\$ 1,654	\$ 24,283
2020	23,441	842	24,283
Total	\$ 46,070	\$ 2,496	\$ 48,566

This debt will be retired from the District Maintenance Fund.

Total obligations under leases payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 116,817	\$ 4,509	\$ 121,326
2020	119,046	2,280	121,326
Total	\$ 235,863	\$ 6,789	\$ 242,652

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.

E. 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.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2018

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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, 2018 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, 2018, 2017 and 2016 were \$1,653,738, \$1,717,365 and \$1,674,004, 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, 2018, the school district reported a liability of \$28,255,448 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was 0.169974 percent, which was based on a measurement date of June 30,

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

2017. This was an increase of 0.003831 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,612,251. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 394,469	\$ 206,172
Net difference between projected and actual earnings on pension plan investments		382,754
Changes of assumptions	601,507	47,063
Changes in proportion and differences between District contributions and proportionate share of contributions	814,537	
District contributions subsequent to the measurement date	1,653,738	
Total	<u>\$ 3,464,251</u>	<u>\$ 635,989</u>

\$1,653,738 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, 2019. 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 Ending June 30:	
2019	\$ 947,341
2020	686,661
2021	86,314
2022	<u>(545,792)</u>
Total	<u>\$ 1,174,524</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) 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	\$ 37,058,906	\$ 28,255,448	\$ 20,946,664

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 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$80,455 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported a liability of \$1,887,214 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.24052921 percent. This was an increase of 0.00128915 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$95,243. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$	96,096
Changes in proportion and differences between District contributions and proportionate share of contributions	8,955	
District contributions subsequent to the measurement date	80,455	
Total	\$ <u>89,410</u>	<u>96,096</u>

\$80,455 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2019	\$ (15,288)
2020	(15,288)
2021	(15,288)
2022	(15,288)
2023	(15,288)
Thereafter	(10,701)
Total	\$ <u>(87,141)</u>

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 1,937,054	\$ 1,887,214	\$ 1,850,098

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,742,968	\$ 1,887,214	\$ 2,051,885

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 75	
Net OPEB liability (06-30-17)	\$ (1,953,369)
Deferred outflows - OPEB - Contributions made during fiscal year	<u>74,257</u>
Total prior period adjustment related to GASB 75	<u><u>\$ (1,879,112)</u></u>

Note 10 – 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.

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

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

Note 11 – 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.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 39 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. 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 Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 39 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. 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 Trust.

Note 12 – Alternative School Consortium

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

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

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

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

included in its financial statements.

Note 13 – Vocational School Consortium

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

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

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

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

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2018

Revenues

Local sources:	
Taxes	\$ 278,784
Tuition from other LEA's within the state	105,000
Total local sources	<u>383,784</u>
State sources	363,440
Federal sources	94,211
Total Revenues	<u>841,435</u>

Expenditures

Salaries	420,263
Employee benefits	132,105
Purchased property services	42,951
Other purchased services	9,036
Supplies	23,431
Property	91,819
Other	4,206
Total Expenditures	<u>723,811</u>

Net Change in Fund Balance	<u>117,624</u>
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Fund Balance:

July 1, 2017	<u>322,220</u>
June 30, 2018	<u>\$ 439,844</u>

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

Note 14 - Insurance Loss Recoveries

The Tate County School District received \$175,708 in insurance loss recoveries during the 2017-2018 fiscal year related to the default on the IHS Classroom construction project by Thunder Construction. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$14,852,418 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$221,166 balance of deferred outflow of resources at June 30, 2018 will be recognized as an expense and will decrease the net investment in capital assets net position over the next 4 years.

The unrestricted net position amount of (\$14,921,736) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$1,653,738 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$1,810,513 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$14,921,736) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$635,989 balance of deferred inflow of resources, at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$14,921,736) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$80,455 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The \$8,955 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$14,921,736) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$96,096 balance of deferred inflow of resources at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

Note 16 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tate County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

TATE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

The Board approved to award the Field House Bids to Murphy & Sons, Inc. in the amount of \$7,745,000.

On August 14, 2018, the Board approved to award Playground Project bid in the amount of \$233,540 to Great Southern Recreation.

On September 27, 2018, the Board approved to bid for security fencing from Double S Inc. with a 10% contingency totaling \$385,578.

On October 11, 2018, the Board approved to place \$5 million of the District's fund balance into a 7-month Certificate of Deposits with a 2% interest rate at First Tennessee Bank.

REQUIRED SUPPLEMENTARY INFORMATION

TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,031,029	\$ 4,373,362	\$ 4,373,362	\$ 342,333	\$ -
State sources	12,724,533	12,943,308	12,711,723	218,775	(231,585)
Federal sources	7,000	202,722	202,722	195,722	-
Total Revenues	16,762,562	17,519,392	17,287,807	756,830	(231,585)
Expenditures:					
Instruction	9,541,462	9,261,613	9,237,331	279,849	24,282
Support services	7,065,989	6,719,702	6,622,659	346,287	97,043
Debt service:					
Principal	-	-	117,075	-	(117,075)
Interest	-	-	4,250	-	(4,250)
Total Expenditures	16,607,451	15,981,315	15,981,315	626,136	-
Excess (Deficiency) of Revenues over (under) Expenditures	155,111	1,538,077	1,306,492	1,382,966	(231,585)
Other Financing Sources (Uses):					
Inception of leases	-	70,352	70,352	70,352	-
Operating transfers in	185,943	142,907	427,417	(43,036)	284,510
Operating transfers out	(200,272)	(1,891,371)	(1,886,926)	(1,691,099)	4,445
Total Other Financing Sources (Uses)	(14,329)	(1,678,112)	(1,389,157)	(1,663,783)	288,955
Net Change in Fund Balances	140,782	(140,035)	(82,665)	(280,817)	57,370
Fund Balances:					
July 1, 2017	9,380,513	11,199,645	11,142,275	1,819,132	(57,370)
June 30, 2018	\$ 9,521,295	\$ 11,059,610	\$ 11,059,610	\$ 1,538,315	\$ -

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

TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 764,629	\$ 1,909,475	\$ 1,027,924	\$ 1,144,846	\$ (881,551)
Total Revenues	764,629	1,909,475	1,027,924	1,144,846	(881,551)
Expenditures:					
Instruction	343,127	675,005	579,198	(331,878)	95,807
Support services	232,802	335,299	289,900	(102,497)	45,399
Noninstructional services	7,670	14,541	5,190	(6,871)	9,351
Total Expenditures	583,599	1,024,845	874,288	(441,246)	150,557
Excess (Deficiency) of Revenues over (under) Expenditures	181,030	884,630	153,636	703,600	(730,994)
Other Financing Sources (Uses):					
Operating transfers in	-	-	2,960	-	2,960
Operating transfers out	(152,926)	(177,195)	(156,596)	(24,269)	20,599
Total Other Financing Sources (Uses)	(152,926)	(177,195)	(153,636)	(24,269)	23,559
Net Change in Fund Balances	28,104	707,435	-	679,331	(707,435)
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ 28,104	\$ 707,435	\$ -	\$ 679,331	\$ (707,435)

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

TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Federal SPED Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 654,690	\$ 709,549	\$ 621,793	\$ 54,859	\$ (87,756)
Total Revenues	654,690	709,549	621,793	54,859	(87,756)
Expenditures:					
Instruction	283,470	184,762	174,784	98,708	9,978
Support services	351,134	506,565	433,536	(155,431)	73,029
Noninstructional services	500	1,400	879	(900)	521
Total Expenditures	635,104	692,727	609,199	(57,623)	83,528
Excess (Deficiency) of Revenues over (under) Expenditures	19,586	16,822	12,594	(2,764)	(4,228)
Other Financing Sources (Uses):					
Operating transfers in	-	-	1,191	-	1,191
Operating transfers out	(19,586)	(16,822)	(13,785)	2,764	3,037
Total Other Financing Sources (Uses)	(19,586)	(16,822)	(12,594)	2,764	4,228
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -

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

Tate County School District

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

PERS

Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 28,255,448	29,677,288	25,112,339	19,125,628
District's proportion of the net pension liability	0.169974%	0.166143%	0.162455%	0.157566%
District's covered payroll	10,903,905	10,628,597	10,149,263	9,628,121
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	2018	2017	2016	2015
Contractually required contribution	\$ 1,653,738	1,717,365	1,674,004	1,598,509
Contributions in relation to the contractually required contribution	1,653,738	1,717,365	1,674,004	1,598,509
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	10,499,924	10,903,905	10,628,597	10,149,263
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

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

Tate County School District

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

OPEB

Last 10 Fiscal Years*

		2018
District's proportionate share of the net OPEB liability	\$	<u>1,887,214</u>
District's proportion of the net OPEB liability		0.24052921%
District's covered - employee payroll		10,806,316 **
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll		17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

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

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

** The amount used to calculate this figure was based on the Plan's covered payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Tate County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

Contractually required contribution	\$	<u>2018</u> 80,455	**
Contributions in relation to the contractually required contribution		80,455	**
Contribution deficiency (excess)	\$	<u><u>-</u></u>	
District's covered - employee payroll		9,730,019	
Contributions as a percentage of covered - employee payroll		0.83%	

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

- * This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.
- ** The amounts reflected above only pertains to the Implicit Rate Subsidy as it relates to contributions.

Tate County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2018

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes 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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

Tate County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2018

The wage inflation assumption was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(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.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) Changes of assumptions

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017:

None

Tate County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2018

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00 percent
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

SUPPLEMENTARY INFORMATION

TATE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Numbers	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 345,729
National School Lunch Program	185MS326N1099	10.555	990,461
Total Child Nutrition Cluster			<u>1,336,190</u>
Total passed-through the Mississippi Department of Education			<u>1,336,190</u>
Total U.S. Department of Agriculture			<u><u>1,336,190</u></u>
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	1,089,179
Career and Technical Education - Basic Grants to States	V048A170024	84.048	94,211
Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A180034	84.126	11,444
Rural Education	ES358B170024	84.358	29,792
Supporting Effective Instruction State Grants	ES367A170023	84.367	150,815
Student Support and Academic Enrichment Program	ES424A170025	84.424	18,738
Subtotal			<u>1,394,179</u>
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	622,984
Positive Behavior Specialists	H027A170108	84.027A	5,439
Special Education - Preschool Grants	H173A170113	84.173	16,437
Total Special Education Cluster			<u>644,860</u>
Total passed-through the Mississippi Department of Education			<u>2,039,039</u>
Total U.S. Department of Education			<u><u>2,039,039</u></u>
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	73,571
Total passed-through the Mississippi Department of Education			<u>73,571</u>
Total U.S. Department of Health and Human Services			<u><u>73,571</u></u>
Total for All Federal Awards			\$ <u><u>3,448,800</u></u>

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

Tate County School District

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the school district under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the 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 shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities of \$98,107 are included in the National School Lunch Program.

TATE COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2018

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	14,745,193	10,755,571	883,900	1,248,487	1,857,235
Other	9,358,376	2,373,895	306,929	44,050	6,633,502
Total \$	<u>24,103,569</u>	<u>13,129,466</u>	<u>1,190,829</u>	<u>1,292,537</u>	<u>8,490,737</u>
Total number of students *	<u>2,249</u>				
Cost per student \$	<u>10,717</u>	<u>5,838</u>	<u>529</u>	<u>575</u>	<u>3,775</u>

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

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

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

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

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

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

OTHER INFORMATION

TATE COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 4,373,362	4,409,890	4,108,920	4,247,027
State sources	12,711,723	13,431,806	13,967,604	13,703,495
Federal sources	202,722	150,202	215,610	85,638
Total Revenues	<u>17,287,807</u>	<u>17,991,898</u>	<u>18,292,134</u>	<u>18,036,160</u>
Expenditures:				
Instruction	9,237,331	9,523,287	9,658,196	9,145,941
Support services	6,622,659	6,866,727	6,280,526	6,161,872
Facilities acquisition and construction	-	-	558,032	-
Debt service:				
Principal	117,075	451,803	192,014	184,424
Interest	4,250	12,140	18,580	26,170
Other	-	700	650	600
Total Expenditures	<u>15,981,315</u>	<u>16,854,657</u>	<u>16,707,998</u>	<u>15,519,007</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,306,492</u>	<u>1,137,241</u>	<u>1,584,136</u>	<u>2,517,153</u>
Other Financing Sources (Uses):				
Inception of leases	70,352	-	-	-
Insurance recovery	-	-	-	53,055
Sale of other property	-	143,456	-	-
Operating transfers in	427,417	98,914	85,516	15,800
Other financing sources	-	-	21,027	-
Operating transfers out	<u>(1,886,926)</u>	<u>(293,798)</u>	<u>(327,864)</u>	<u>(1,000)</u>
Total Other Financing Sources (Uses)	<u>(1,389,157)</u>	<u>(51,428)</u>	<u>(221,321)</u>	<u>67,855</u>
Net Change in Fund Balances	<u>(82,665)</u>	<u>1,085,813</u>	<u>1,362,815</u>	<u>2,585,008</u>
Fund Balances:				
July 1, as previously reported	11,142,275	10,021,263	8,658,448	6,073,640
Prior period adjustments	-	35,199	-	(200)
July 1, as restated	<u>11,142,275</u>	<u>10,056,462</u>	<u>8,658,448</u>	<u>6,073,440</u>
June 30,	<u>\$ 11,059,610</u>	<u>11,142,275</u>	<u>10,021,263</u>	<u>8,658,448</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

TATE COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 6,965,660	6,794,102	6,383,507	6,576,008
State sources	14,092,381	14,806,305	15,202,750	15,035,677
Federal sources	3,568,997	3,387,104	3,622,323	3,108,264
Total Revenues	<u>24,627,038</u>	<u>24,987,511</u>	<u>25,208,580</u>	<u>24,719,949</u>
Expenditures:				
Instruction	11,077,221	11,277,823	11,313,151	10,798,673
Support services	8,725,084	8,491,917	7,759,760	8,253,806
Noninstructional services	1,197,727	1,346,385	1,359,202	1,491,291
Facilities acquisition and construction	601,031	377,734	558,032	-
Debt service:				
Principal	2,299,075	2,612,803	2,260,014	2,161,424
Interest	177,063	197,687	242,633	286,815
Other	26,368	5,930	5,880	5,730
Total Expenditures	<u>24,103,569</u>	<u>24,310,279</u>	<u>23,498,672</u>	<u>22,997,739</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>523,469</u>	<u>677,232</u>	<u>1,709,908</u>	<u>1,722,210</u>
Other Financing Sources (Uses):				
Notes issued	1,975,000	-	-	-
Inception of leases	70,352	-	-	-
Insurance recovery	175,708	-	-	55,390
Sale of other property	-	143,456	-	-
Operating transfers in	3,226,289	1,050,166	822,979	294,314
Other financing sources	-	-	21,027	-
Operating transfers out	(3,226,289)	(1,050,166)	(822,979)	(294,314)
Other financing uses	-	-	(217,846)	-
Total Other Financing Sources (Uses)	<u>2,221,060</u>	<u>143,456</u>	<u>(196,819)</u>	<u>55,390</u>
Net Change in Fund Balances	<u>2,744,529</u>	<u>820,688</u>	<u>1,513,089</u>	<u>1,777,600</u>
Fund Balances:				
July 1, as previously reported	13,123,226	12,265,094	10,664,955	8,878,736
Prior period adjustment	-	35,199	85,919	9,168
July 1, as restated	<u>13,123,226</u>	<u>12,300,293</u>	<u>10,750,874</u>	<u>8,887,904</u>
Increase (decrease) in inventory	<u>(2,709)</u>	<u>2,245</u>	<u>1,131</u>	<u>(549)</u>
June 30,	<u>\$ 15,865,046</u>	<u>13,123,226</u>	<u>12,265,094</u>	<u>10,664,955</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Tate County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tate County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Tate County School District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 18, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Tate County School District

Report on Compliance for Each Major Federal Program

We have audited Tate County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Tate County School District's major federal program for the year ended June 30, 2018. The Tate County School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Tate County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Tate County School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tate County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 18, 2019

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Tate County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2018, which collectively comprise Tate County School District's basic financial statements and have issued our report thereon dated January 18, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 18, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Tate County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

CFDA Numbers:

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). Yes.

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Tate County School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2018:

Finding

Status

2017-001

Corrected