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**TISHOMINGO COUNTY SPECIAL  
MUNICIPAL SEPARATE SCHOOL DISTRICT**

**AUDITED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**



**Certified Public Accountants**

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**

**IUKA, MISSISSIPPI**

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## INDEPENDENT AUDITORS' REPORT

Superintendent and School Board  
Tishomingo County Special Municipal Separate School District

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

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

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Phone: (662)728-6172

Corinth, Mississippi  
Phone: (662)286-7082

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-12, 45-48, 49-50, and 51-52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019 on our consideration of the Tishomingo County Special Municipal Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tishomingo County Special Municipal Separate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tishomingo County Special Municipal Separate School District's internal control over financial reporting and compliance.

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

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
February 27, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The following discussion and analysis of Tishomingo County Special Municipal Separate School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$5,344,836, including a prior period adjustment of \$(2,483,333) which represents a 56.31% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,649,923, which represents a 21.04% decrease from fiscal year 2016.
- General revenues amounted to \$23,995,243 and \$24,257,418, or 81.81% and 81.25% 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 \$5,336,975, or 18.19% of total revenues for 2018, and \$5,596,945, or 18.75% of total revenues for 2017.
- The District had \$32,193,721 and \$31,504,286 in expenses for fiscal years 2018 and 2017; only \$5,336,975 for 2018 and \$5,596,945 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,995,243 for 2018 and \$24,257,418 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$23,571,044 in revenues and \$23,620,183 in expenditures for 2018, and \$24,005,233 in revenues and \$22,670,011 in expenditures in 2017. The General Fund's fund balance decreased by \$549,417 from 2017 to 2018 and increased by \$1,396,102 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$732,178 for 2018 and, increased by \$436,589 for 2017. The decrease for 2018 was due to the addition and disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$104,064 for 2018 and increased by \$893,345 for 2017. This increase for 2018 was due primarily to the issuance of obligations under capital lease coupled with principal payments on outstanding long-term debt. The liability for compensated absences increased by \$5,195 for 2018 and decreased by \$8,050 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 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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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 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.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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 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 for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,836,885 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.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Current assets	\$ 9,262,852	\$ 8,948,315	3.52 %
Restricted assets	1,644,088	1,456,878	12.85 %
Capital assets, net	22,818,156	23,550,334	(3.11) %
Total Assets	<u>33,725,096</u>	<u>33,955,527</u>	(0.68) %
Deferred Outflows of Resources	<u>4,507,827</u>	<u>9,436,625</u>	(52.23) %
Current liabilities	181,393	185,098	(2.00) %
Long-term debt outstanding	5,751,815	5,642,556	1.94 %
Net OPEB liability	2,537,080	-	N/A %
Net pension liability	42,690,039	45,534,184	(6.25) %
Total Liabilities	<u>51,160,327</u>	<u>51,361,838</u>	(0.39) %
Deferred Inflows of Resources	<u>1,909,481</u>	<u>1,522,363</u>	25.43 %
Net Position:			
Net investment in capital assets	17,698,156	18,240,334	(2.97) %
Restricted	2,757,006	2,402,335	14.76 %
Unrestricted	(35,292,047)	(30,134,718)	(17.11) %
Total Net Position	<u>\$ (14,836,885)</u>	<u>\$ (9,492,049)</u>	(56.31) %

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)	\$ (35,292,047)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the deferred outflows and deferred inflows	<u>42,628,773</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 7,336,726</u>

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

- Decrease in net capital assets in the amount of \$732,178.
- The increase of \$104,064 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$2,537,080.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$29,332,218 and \$29,854,363, respectively. The total cost of all programs and services was \$32,193,171 for 2018 and \$31,504,286 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**

	<b>Year Ended June 30, 2018</b>	<b>Year Ended June 30, 2017</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,121,854	\$ 1,166,735	(3.85) %
Operating grants and contributions	4,215,121	4,430,210	(4.86) %
General revenues:			
Property taxes	6,921,168	6,993,477	(1.03) %
Grants and contributions not restricted	16,810,676	17,039,724	(1.34) %
Investment earnings	15,823	50,052	(68.39) %
Other	247,576	174,165	42.15 %
<b>Total revenues</b>	<b><u>29,332,218</u></b>	<b><u>29,854,363</u></b>	<b><u>(1.75) %</u></b>
<b>Expenses:</b>			
Instruction	16,199,973	15,692,583	3.23 %
Support services	9,013,909	8,630,621	4.44 %
Non-instructional	1,792,248	1,866,853	(4.00) %
Pension expense	4,968,203	5,218,615	(4.80) %
OPEB expense	134,437	-	N/A %
Interest on long-term liabilities	84,951	95,614	(11.15) %
<b>Total expenses</b>	<b><u>32,193,721</u></b>	<b><u>31,504,286</u></b>	<b><u>2.19 %</u></b>
<b>Increase (Decrease) in net position</b>	<b><u>(2,861,503)</u></b>	<b><u>(1,649,923)</u></b>	<b><u>(73.43) %</u></b>
<b>Net Position, July 1, as previously reported</b>	<b><u>(9,492,049)</u></b>	<b><u>(7,842,126)</u></b>	<b><u>(21.04) %</u></b>
<b>Prior Period Adjustment</b>	<b><u>(2,483,333)</u></b>	<b><u>-</u></b>	<b><u>N/A %</u></b>
<b>Net Position, July 1, as restated</b>	<b><u>(11,975,382)</u></b>	<b><u>(7,842,126)</u></b>	<b><u>(52.71) %</u></b>
<b>Net Position, June 30</b>	<b><u>\$ (14,836,885)</u></b>	<b><u>\$ (9,492,049)</u></b>	<b><u>(56.31) %</u></b>

**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.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Table 3  
Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 16,199,973	\$ 15,692,583	3.23 %
Support services	9,013,909	8,630,621	4.44 %
Non-instructional	1,792,248	1,866,853	(4.00) %
Pension expense	4,968,203	5,218,615	(4.80) %
OPEB expense	134,437	-	N/A %
Interest on long-term liabilities	84,951	95,614	(11.15) %
<b>Total expenses</b>	<b>\$ 32,193,721</b>	<b>\$ 31,504,286</b>	<b>2.19 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (12,599,930)	\$ (11,860,044)	6.24 %
Support services	(9,013,909)	(8,630,621)	4.44 %
Non-instructional	(55,316)	(102,447)	(46.01) %
Pension expense	(4,968,203)	(5,218,615)	(4.80) %
OPEB expense	(134,437)	-	N/A %
Interest on long-term liabilities	(84,951)	(95,614)	(11.15) %
<b>Total net (expense) revenue</b>	<b>\$ (26,856,746)</b>	<b>\$ (25,907,341)</b>	<b>3.66 %</b>

- Net cost of governmental activities ((\$26,856,746) for 2018 and (\$25,907,341) for 2017) was financed by general revenue, which is primarily made up of property taxes (\$6,921,168 for 2018 and \$6,993,477 for 2017) and state and federal revenues (\$16,810,676 for 2018 and \$17,039,724 for 2017).
- Investment earnings amounted to \$15,823 for 2018 and \$50,052 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.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$10,758,664, an increase of \$507,176, which includes a decrease in inventory of \$5,633. \$7,968,541 or 74.07% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,790,123 or 25.93% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$549,417. The fund balance of Other Governmental Funds showed

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

a decrease in the amount of \$235,752, which includes a decrease in reserve for inventory of \$5,633. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I, Part A Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Tobacco Intervention and Prevention Fund	\$ (5,136)
QSCB Retirement Fund	198,647

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2018, the District's total capital assets were \$42,850,462, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$228,947 from 2017. Total accumulated depreciation as of June 30, 2018, was \$20,032,306, and total depreciation expense for the year was \$1,122,052, resulting in total net capital assets of \$22,818,156.

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

	June 30, 2018	June 30, 2017	Percentage Change
Land	\$ 600,235	\$ 600,235	0.00 %
Construction in progress	8,653	63,225	(86.31) %
Buildings	16,349,503	16,810,698	(2.74) %
Building improvements	3,311,305	3,506,614	(5.57) %
Mobile equipment	470,236	461,372	1.92 %
Furniture and equipment	1,838,358	1,882,205	(2.33) %
Leased property under capital leases	239,866	225,985	6.14 %
<b>Total</b>	<b>\$ 22,818,156</b>	<b>\$ 23,550,334</b>	<b>(3.11) %</b>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Debt Administration.** At June 30, 2018, the District had \$5,751,815 in outstanding long-term debt, of which \$326,626 is due within one year. The liability for compensated absences increased \$5,195 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 2,120,000	\$ 2,310,000	(8.23) %
Obligations under capital leases	393,277	99,213	296.40 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	238,538	233,343	2.23 %
<b>Total</b>	<b>\$ 5,751,815</b>	<b>\$ 5,642,556</b>	<b>1.94 %</b>

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

### **CURRENT ISSUES**

The Tishomingo County Special Municipal Separate School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2017-2018 year increased by 8.04% to 2969 students.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



## **BASIC FINANCIAL STATEMENTS**

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 8,594,800
Investments	-
Due from other governments	622,962
Accrued interest receivable	
Inventories	45,090
Restricted assets	1,644,088
Capital assets, non-depreciable:	
Land	600,235
Construction in progress	8,653
Capital assets, net of accumulated depreciation:	
Buildings	16,349,503
Building improvements	3,311,305
Improvements other than buildings	470,236
Mobile equipment	1,838,358
Furniture and equipment	239,866
Total Assets	<u>33,725,096</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pension	4,351,169
Deferred outflows - OPEB	156,658
Total Deferred Outflows of Resources	<u>4,507,827</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	148,276
Unearned revenue	-
Interest payable on long-term liabilities	33,117
Long-term liabilities, due within one year:	
Capital related liabilities	190,000
Non-capital related liabilities	136,625
Net OPEB liability	108,160
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,930,000
Non-capital related liabilities	495,190
Net pension liability	42,690,039
Net OPEB liability	2,428,920
Total Liabilities	<u>51,160,327</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pension	1,780,294
Deferred inflows - OPEB	129,187
Total Deferred Inflows of Resources	<u>1,909,481</u>
<b>Net Position</b>	
Net investment in capital assets	17,698,156
Restricted for:	
Expendable:	
School-based activities	1,008,259
Debt service	1,694,619
Capital projects	-
Unemployment benefits	54,128
Unrestricted	(35,292,047)
Total Net Position	<u>\$ (14,836,885)</u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 16,199,973	\$ 729,982	\$ 2,870,061	\$ -	\$ (12,599,930)
Support services	9,013,909	-	-	-	(9,013,909)
Non-instructional	1,792,248	391,872	1,345,060	-	(55,316)
Pension expense	4,968,203	-	-	-	(4,968,203)
OPEB expense	134,437	-	-	-	(134,437)
Interest on long-term liabilities	84,951	-	-	-	(84,951)
Total Governmental Activities	\$ <u>32,193,721</u>	\$ <u>1,121,854</u>	\$ <u>4,215,121</u>	\$ <u>-</u>	\$ <u>(26,856,746)</u>
General Revenues:					
Taxes:					
General purpose levies					
					6,450,111
Debt purpose levies					
					471,057
Unrestricted grants and contributions:					
State					
					15,818,580
Federal					
					992,096
Unrestricted investment earnings					
					15,823
Other					
					247,576
Total General Revenues					<u>23,995,243</u>
Change in Net Position					<u>(2,861,503)</u>
Net Position - Beginning, as previously reported					(9,492,049)
Prior Period Adjustment					<u>(2,483,333)</u>
Net Position - Beginning, as restated					<u>(11,975,382)</u>
Net Position - Ending					\$ <u><u>(14,836,885)</u></u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2018**

	Major Funds						
	General Fund	Title I, Part A Fund	IDEA Part B Fund	Tobacco Intervention and Prevention Fund	QSCB Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 7,987,638	\$ -	\$ -	\$ -	\$ -	\$ 798,674	\$ 8,786,312
Investments	-	-	-	-	1,452,576	-	1,452,576
Due from other governments	253,662	111,568	98,620	42,500	-	116,612	622,962
Due from other funds	264,753	-	-	-	-	2,612	267,365
Inventories	-	-	-	-	-	45,090	45,090
<b>Total Assets</b>	<b>\$ 8,506,053</b>	<b>\$ 111,568</b>	<b>\$ 98,620</b>	<b>\$ 42,500</b>	<b>\$ 1,452,576</b>	<b>\$ 962,988</b>	<b>\$ 11,174,305</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 138,876	\$ 349	\$ 3,780	\$ -	\$ -	\$ 5,271	\$ 148,276
Due to other funds	-	111,219	94,840	42,360	-	18,946	267,365
<b>Total Liabilities</b>	<b>138,876</b>	<b>111,568</b>	<b>98,620</b>	<b>42,360</b>	<b>-</b>	<b>24,217</b>	<b>415,641</b>
<b>Fund Balances:</b>							
Nonspendable:							
Inventory	-	-	-	-	-	45,090	45,090
Restricted:							
Debt service	-	-	-	-	1,452,576	275,160	1,727,736
Unemployment benefits	-	-	-	-	-	54,128	54,128
Grant activities	-	-	-	140	-	564,393	564,533
Assigned:							
Other district activities	18,529	-	-	-	-	-	18,529
Student activities	380,107	-	-	-	-	-	380,107
Unassigned	7,968,541	-	-	-	-	-	7,968,541
<b>Total Fund Balances</b>	<b>8,367,177</b>	<b>-</b>	<b>-</b>	<b>140</b>	<b>1,452,576</b>	<b>938,771</b>	<b>10,758,664</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,506,053</b>	<b>\$ 111,568</b>	<b>\$ 98,620</b>	<b>\$ 42,500</b>	<b>\$ 1,452,576</b>	<b>\$ 962,988</b>	<b>\$ 11,174,305</b>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2018**

		<u>Amount</u>
Total fund balances for governmental funds	\$	10,758,664
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$ 600,235	
Construction in progress	8,653	
Buildings	29,436,041	
Building improvements	6,075,218	
Improvements other than buildings	1,221,496	
Mobile equipment	3,890,573	
Furniture and equipment	1,618,246	
Accumulated depreciation	<u>(20,032,306)</u>	22,818,156
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	(42,690,039)	
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	4,351,169	
Deferred inflows of resources related to pensions	<u>(1,780,294)</u>	(40,119,164)
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	(2,537,080)	
Deferred outflows and deferred 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	156,658	
Deferred inflows of resources related to OPEB	<u>(129,187)</u>	(2,509,609)
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:		
Notes payable	(2,120,000)	
Capital lease obligations	(393,277)	
Qualified school construction bond	(3,000,000)	
Compensated absences	(238,538)	
Accrued interest payable	<u>(33,117)</u>	(5,784,932)
Rounding		
Net position of governmental activities	\$	<u><u>(14,836,885)</u></u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	Major Funds						
	General Fund	Title I, Part A Fund	IDEA Part B Fund	Tobacco Intervention and Prevention Fund	QSCB Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Local sources	\$ 7,466,994	\$ -	\$ -	\$ -	\$ -	\$ 838,326	\$ 8,305,320
State sources	15,111,954	-	-	42,501	-	1,774,574	16,929,029
Federal sources	992,096	806,862	668,761	-	-	1,601,664	4,069,383
Total Revenues	<u>23,571,044</u>	<u>806,862</u>	<u>668,761</u>	<u>42,501</u>	<u>-</u>	<u>4,214,564</u>	<u>29,303,732</u>
<b>Expenditures:</b>							
Instruction	14,824,960	486,907	460,620	-	-	1,573,491	17,345,978
Support services	8,392,426	314,431	208,141	52,637	-	596,163	9,563,798
Noninstructional services	123,252	5,524	-	-	-	1,722,606	1,851,382
Facilities acquisition and construction	56,353	-	-	-	-	9,380	65,733
Debt service:							
Principal	219,282	-	-	-	-	190,000	409,282
Interest	3,910	-	-	-	-	79,317	83,227
Other	-	-	-	-	13,352	-	13,352
Total Expenditures	<u>23,620,183</u>	<u>806,862</u>	<u>668,761</u>	<u>52,637</u>	<u>13,352</u>	<u>4,170,957</u>	<u>29,332,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(49,139)</u>	<u>-</u>	<u>-</u>	<u>(10,136)</u>	<u>(13,352)</u>	<u>43,607</u>	<u>(29,020)</u>
<b>Other Financing Sources (Uses):</b>							
Capital leases issued	513,346	-	-	-	-	-	513,346
Sale of other property	28,483	-	-	-	-	-	28,483
Operating transfers in	65,000	-	-	5,000	211,999	3,273	285,272
Operating transfers out	(8,273)	-	-	-	-	(276,999)	(285,272)
Total Other Financing Sources (Uses)	<u>598,556</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>211,999</u>	<u>(273,726)</u>	<u>541,829</u>
Net Change in Fund Balances	549,417	-	-	(5,136)	198,647	(230,119)	512,809
Fund Balances:							
July 1, 2017	7,817,760	-	-	5,276	1,253,929	1,174,523	10,251,488
Increase (Decrease) in reserve for inventory						(5,633)	(5,633)
June 30, 2018	<u>\$ 8,367,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 1,452,576</u>	<u>\$ 938,771</u>	<u>\$ 10,758,664</u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2018**

		<u>Amount</u>
Net change in fund balances - total governmental funds	\$	512,809
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 402,812	
Depreciation expense	<u>(1,122,052)</u>	(719,240)
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.		(12,938)
3. This issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Capital leases issued	(513,346)	
Payments of debt principal	409,282	
Accrued interest payable	<u>(1,724)</u>	(105,788)
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense for the current year	(4,968,203)	
Pension contributions made subsequent to the measurement date	<u>2,468,961</u>	(2,499,242)
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	(134,437)	
Contributions subsequent to the measurement date	<u>108,160</u>	(26,277)
6. Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(5,195)	
Change in inventory reserve	<u>(5,633)</u>	(10,828)
Rounding		1
Change in net position of governmental activities	\$	<u><u>(2,861,503)</u></u>

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2018**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ <u>1,578,872</u>
Total Assets	<u><u>1,578,872</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,473,814
Due to student clubs	<u>105,058</u>
Total Liabilities	\$ <u><u>1,578,872</u></u>

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



**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 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, Tishomingo County Special Municipal Separate School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

**B. Government-wide and Fund Financial Statements**

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

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

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2018**

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

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

The school district reports the following major governmental funds:

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

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

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

Tobacco Intervention & Prevention – This fund accounts for the revenues and expenditures of the Tobacco Intervention & Prevention federal grant.

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

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2018**

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

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

**FIDUCIARY FUNDS**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

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

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2018**

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

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

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

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

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

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year end are reported within committed or assigned fund balances.

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

**Investments**

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

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

Investments for the district are reported at fair market value.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2018**

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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The following schedule details the capitalization thresholds:

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

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

**7. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The district has five types of deferred outflows all related to the district's pension: (1) the difference between expected and actual experience, (2) changes in assumptions, (3) net differences between projected and actual earnings on pension plan investments (4) changes in proportion and differences between employer contributions and proportionate share of contributions, and (5) district contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The district has two types of deferred inflows related to the district's pension: (1) change in assumptions and (2) changes in proportion and differences between employer contributions and proportionate share of contributions.

See Note 7, 8 and 13 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).

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

**9. Long-term Liabilities and Bond Discounts/Premiums**

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

**10. Pensions**

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

**11. 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. Fiduciary net position was zero as of the measurement date of June 30, 2018. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**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

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

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

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

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

**Note 2 – Cash and Cash Equivalents and Investments**

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

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



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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with the financial institutions reported in the governmental funds and fiduciary funds was \$8,786,312 and \$1,578,872, respectively.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the district's bank balance of \$11,817,758 was exposed to custodial credit risk.

**Investments**

As of June 30, 2018, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012-A	N/A	Various	\$ 1,452,576
Total			\$ 1,452,576

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

The district has the following recurring fair value measurement as of June 30, 2018:

- QSCB Construction Bonds Common Trust Funds 2012-A type of investments of \$1,452,576 are valued using quoted market prices (Level 1 inputs).

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments in QSCB Construction Bonds Common Trust Funds 2012-A, \$1,452,576, of underlying securities are held by the investments counterparty, not in the name of the district.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2018, the district had the following investments:

Issuer	Fair Value	% of Total Investments
QSCB Construction Bonds Common Trust Funds 2012-A	\$ 1,452,576	100%

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I, Part A Fund	\$ 111,219
General Fund	IDEA Part B Fund	94,840
General Fund	Tobacco Intervention & Prevention Fund	42,360
General Fund	Other governmental funds	16,334
Other governmental funds	Other governmental funds	2,612
Total		\$ 267,365

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

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Tobacco Intervention & Prevention Fund	\$ 5,000
General Fund	Other governmental funds	3,273
Other governmental funds	General Fund	65,000
Other governmental funds	QSCB Retirement Fund	211,999
Total		\$ 285,272

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

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**Note 4 – Restricted Assets**

The restricted assets represent the cash and investment balance, totaling \$1,644,088 of debt service funds whose balances are legally restricted and may not be used except for their restricted purposes. Included in the restricted assets balance is the Investments balance of \$1,452,576 of the QSCB Bond Retirement Fund. The remaining \$191,512 represents debt service funds whose balances are restricted for future debt services requirements.

**Note 5 – Capital Assets**

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

	Balance 7/1/2017	Increases	Decreases	Completed Construction	Balance 6/30/2018
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 600,235	\$ -	\$ -	\$ -	\$ 600,235
Construction in progress	63,225	18,033	-	(72,605)	8,653
Total non-depreciable capital assets	663,460	18,033	-	(72,605)	608,888
<u>Depreciable capital assets:</u>					
Buildings	29,363,436	-	-	72,605	29,436,041
Building improvements	6,027,518	47,700	-	-	6,075,218
Improvements other than buildings	1,189,146	32,350	-	-	1,221,496
Mobile equipment	3,779,405	212,469	101,301	-	3,890,573
Furniture and equipment	1,598,550	92,260	72,564	-	1,618,246
Total depreciable capital assets	41,958,055	384,779	173,865	72,605	42,241,574
<u>Less accumulated depreciation for:</u>					
Buildings	12,552,738	533,800	-	-	13,086,538
Building improvements	2,520,904	243,009	-	-	2,763,913
Improvements other than buildings	727,774	23,486	-	-	751,260
Mobile equipment	1,897,200	246,186	91,171	-	2,052,215
Furniture and equipment	1,372,565	75,571	69,756	-	1,378,380
Total accumulated depreciation	19,071,181	1,122,052	160,927	-	20,032,306
Total depreciable capital assets, net	22,886,874	(737,273)	12,938	72,605	22,209,268
Governmental activities capital assets, net	\$ 23,550,334	\$ (719,240)	\$ 12,938	\$ -	\$ 22,818,156

	Amount
<b>Governmental Activities:</b>	
Instruction	\$ 612,747
Support services	412,442
Non-instructional	96,863
Total Depreciation Expense	\$ 1,122,052

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

	Spent to June 30, 2018	Remaining Commitment
Belmont Roofing Project	\$ 8,653	\$ 182,425
Total construction in progress	\$ 8,653	\$ 182,425

Construction projects are funded with District Maintenance funds.

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/17	Additions	Reductions	Balance 6/30/18	Due within one year
A Three mill notes payable	\$ 2,310,000	\$ -	\$ 190,000	\$ 2,120,000	\$ 190,000
B Obligations under capital lease	99,213	513,346	219,282	393,277	136,625
C Qualified school construction bond payable series 2009-B	3,000,000	-	-	3,000,000	-
D Compensated absences payable	233,343	5,195	-	238,538	-
	<u>\$ 5,642,556</u>	<u>\$ 518,541</u>	<u>\$ 409,282</u>	<u>\$ 5,751,815</u>	<u>\$ 326,625</u>

**A. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable, series 2016	2.07%	07/01/16	06/30/26	\$ 2,500,000	\$ 2,120,000
Total				<u>\$ 2,500,000</u>	<u>\$ 2,120,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 190,000	\$ 43,884	\$ 233,884
2020	195,000	39,951	234,951
2021	195,000	35,915	230,915
2022	200,000	31,878	231,878
2023-2026	1,340,000	80,937	1,420,937
Total	<u>\$ 2,120,000</u>	<u>\$ 232,565</u>	<u>\$ 2,352,565</u>

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

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**B. Obligations under capital lease**

The school district has entered into a lease agreement (Apple Lease 1) as lessee for financing the acquisition of computer hardware at a cost of \$41,878 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

The school district has entered into a lease agreement (Apple Lease 2) as lessee for financing the acquisition of iPads for the District's 1:1 Initiative at a cost of \$513,346 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Apple, Inc. Lease	5.75%	08/26/15	08/26/18	\$ 41,878	\$ 10,746
2. Apple, Inc. Lease	1.29%	08/17/18	08/17/20	513,346	382,531
Total				<u>\$ 555,224</u>	<u>\$ 393,277</u>

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

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2019	\$ 10,746	\$ 618	\$ 11,364
Total	<u>\$ 10,746</u>	<u>\$ 618</u>	<u>\$ 11,364</u>

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

This debt will be retired from the Local Technology Fund.

2. Apple, Inc. Lease dated 08/17/18

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2019	\$ 125,879	\$ 4,935	\$ 130,814
2020	127,504	3,311	130,815
2021	129,148	1,666	130,814
Total	<u>\$ 382,531</u>	<u>\$ 9,912</u>	<u>\$ 392,443</u>

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

This debt will be retired from the Local Technology Fund.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2019	\$ 136,625	\$ 5,553	\$ 142,178
2020	127,504	3,311	130,815
2021	129,148	1,666	130,814
Total	<u>\$ 393,277</u>	<u>\$ 10,530</u>	<u>\$ 403,807</u>

**C. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

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

Year Ending June 30	Principal	Interest	Total
2019	\$	\$ 31,500	\$ 31,500
2020		31,500	31,500
2021		31,500	31,500
2022		31,500	31,500
2023-2025	3,000,000	94,500	3,094,500
Total	<u>\$ 3,000,000</u>	<u>\$ 220,500</u>	<u>\$ 3,220,500</u>

**D. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, 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.

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*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 \$2,468,961, \$2,594,703 and \$2,568,435, 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 \$42,690,039 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 was 0.256807 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.001892 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.

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For the year ended June 30, 2018, the District recognized pension expense of \$4,968,203. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 617,025	\$ 311,497
Net difference between projected and actual earnings on pension plan investments	-	570,486
Changes of assumptions	988,204	72,209
Changes in proportion and differences between District contributions and proportionate share of contributions	276,979	826,102
District contributions subsequent to the measurement date	2,468,961	-
Total	\$ <u>4,351,169</u>	\$ <u>1,780,294</u>

\$2,468,961 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 ended June 30:	
2019	303,693
2020	546,499
2021	76,339
2022	(824,617)
2023	-
Thereafter	-

*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	3.0 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 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



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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	<u>100.00</u>	%		

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 55,990,837	\$ 42,690,039	\$ 31,647,487

*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 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

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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 \$108,160 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 \$2,537,080 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 0.32335607 percent. This was an increase of 0.00698197 percent from the proportionate share as of the measurement date of June 30, 2016.

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For the year ended June 30, 2018, the District recognized OPEB expense of \$134,437. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	129,187
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	48,498	-
District contributions subsequent to the measurement date	108,160	-
Total	\$ <u>156,658</u>	\$ <u>129,187</u>

\$108,160 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	\$ (14,155)
2020	(14,155)
2021	(14,155)
2022	(14,155)
2023	(14,155)
Thereafter	(9,914)

*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:

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	

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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 percent to 3.56 percent.

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.

*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	\$ 2,604,083	\$ 2,537,080	\$ 2,487,183

*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:

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
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			Healthcare Cost Trend	
	1% Decrease		Rates Current	1% Increase
Net OPEB Liability	\$ 2,343,164	\$	2,537,080	\$ 2,758,456

*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	2,483,333
Total	\$ 2,483,333

**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.

**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.

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any

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claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

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 - Qualified School Construction Bonds**

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

When that stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The school district did not apply for any subsidies for the year ended June 30, 2018.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount of deposit at June 30, 2018 was \$1,452,576. The amount accumulated in the sinking

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**For Year Ended June 30, 2018**

fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2019	215,000
2020	217,000
2021	219,000
2022	222,000
2023-2026	693,000
Total	\$ <u>1,566,000</u>

**Note 13 – Effects of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$35,292,047) includes the effect of deferring the recognition of expenses resulting from the deferred outflow from pensions and OPEB. The \$4,507,827 balance of deferred outflows 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 (\$35,292,047) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions and OPEB. The \$1,909,481 balance of deferred inflow of resources at June 30, 2018 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Please reference Note 7 and 8 for details on amortization of deferred outflows/inflows related to pensions and OPEB.

**Note 14 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tishomingo County Special Municipal Separate School District evaluated the activity of the district for potential recognition and disclosure through February 27, 2019 (the date the financial statements were available to be issued) and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 7,400,975	7,400,975	7,466,994	-	66,019
State sources	15,068,400	15,068,400	15,111,954	-	43,554
Federal sources	850,000	850,000	992,096	-	142,096
Total Revenues	<u>23,319,375</u>	<u>23,319,375</u>	<u>23,571,044</u>	<u>-</u>	<u>251,669</u>
<b>Expenditures:</b>					
Instruction	14,857,193	14,851,376	14,824,960	5,817	26,416
Support services	8,730,767	8,807,221	8,392,426	(76,454)	414,795
Noninstructional services	134,400	135,400	123,252	(1,000)	12,148
Facilities acquisition and construction	-	286,410	56,353	(286,410)	230,057
Debt Service:					
Principal	221,416	227,016	219,282	(5,600)	7,734
Interest	-	-	3,910	-	(3,910)
Total Expenditures	<u>23,943,776</u>	<u>24,307,423</u>	<u>23,620,183</u>	<u>(363,647)</u>	<u>687,240</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(624,401)</u>	<u>(988,048)</u>	<u>(49,139)</u>	<u>(363,647)</u>	<u>938,909</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans	-	-	513,346	-	513,346
Sale of other property	100	100	28,483	-	28,383
Insurance recoveries	1,000	1,000	-	-	(1,000)
Other sources	100	100	-	-	(100)
Operating transfers in	2,572,878	2,572,878	65,000	-	(2,507,878)
Operating transfers out	(2,544,628)	(2,792,738)	(8,273)	(248,110)	2,784,465
Total Other Financing Sources (Uses)	<u>29,450</u>	<u>(218,660)</u>	<u>598,556</u>	<u>(248,110)</u>	<u>817,216</u>
Net Change in Fund Balances	<u>(594,951)</u>	<u>(1,206,708)</u>	<u>549,417</u>	<u>(611,757)</u>	<u>1,756,125</u>
Fund Balances:					
July 1, 2017	<u>7,817,760</u>	<u>7,817,760</u>	<u>7,817,760</u>	<u>-</u>	<u>-</u>
June 30, 2018	<u>\$ 7,222,809</u>	<u>\$ 6,611,052</u>	<u>\$ 8,367,177</u>	<u>\$ (611,757)</u>	<u>\$ 1,756,125</u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Budgetary Comparison Schedule - Title I, Part A Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 538,153	\$ 538,153	\$ 806,862	\$ -	\$ 268,709
Total Revenues	<u>538,153</u>	<u>538,153</u>	<u>806,862</u>	<u>-</u>	<u>268,709</u>
<b>Expenditures:</b>					
Instruction	313,893	527,084	486,907	(213,191)	40,177
Support services	218,670	331,953	314,431	(113,283)	17,522
Noninstructional services	5,590	16,053	5,524	(10,463)	10,529
Total Expenditures	<u>538,153</u>	<u>875,090</u>	<u>806,862</u>	<u>(336,937)</u>	<u>68,228</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(336,937)</u>	<u>-</u>	<u>(336,937)</u>	<u>336,937</u>
Net Change in Fund Balances	<u>-</u>	<u>(336,937)</u>	<u>-</u>	<u>(336,937)</u>	<u>336,937</u>
Fund Balances: July 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2018	<u>\$ -</u>	<u>\$ (336,937)</u>	<u>\$ -</u>	<u>\$ (336,937)</u>	<u>\$ 336,937</u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Budgetary Comparison Schedule - IDEA Part B Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 745,300	\$ 745,300	\$ 668,761	\$ -	\$ (76,539)
Total Revenues	<u>745,300</u>	<u>745,300</u>	<u>668,761</u>	<u>-</u>	<u>(76,539)</u>
<b>Expenditures:</b>					
Instruction	494,056	521,298	460,620	(27,242)	60,678
Support services	250,244	257,563	208,141	(7,319)	49,422
Noninstructional services	1,000	1,000		-	1,000
Total Expenditures	<u>745,300</u>	<u>779,861</u>	<u>668,761</u>	<u>(34,561)</u>	<u>111,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(34,561)</u>	<u>-</u>	<u>(34,561)</u>	<u>34,561</u>
Net Change in Fund Balances	<u>-</u>	<u>(34,561)</u>	<u>-</u>	<u>(34,561)</u>	<u>34,561</u>
Fund Balances: July 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2018	<u>\$ -</u>	<u>\$ (34,561)</u>	<u>\$ -</u>	<u>\$ (34,561)</u>	<u>\$ 34,561</u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Budgetary Comparison Schedule -Tobacco Intervention and Prevention Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
State sources	\$ 52,968	\$ 52,968	\$ 42,501	\$ -	\$ (10,467)
Total Revenues	<u>52,968</u>	<u>52,968</u>	<u>42,501</u>	<u>-</u>	<u>(10,467)</u>
<b>Expenditures:</b>					
Support services	52,968	52,968	52,637	-	331
Total Expenditures	<u>52,968</u>	<u>52,968</u>	<u>52,637</u>	<u>-</u>	<u>331</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(10,136)</u>	<u>-</u>	<u>(10,136)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	5,000	-	5,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(5,136)</u>	<u>-</u>	<u>(5,136)</u>
Fund Balances:					
July 1, 2017	<u>5,276</u>	<u>5,276</u>	<u>5,276</u>	<u>-</u>	<u>-</u>
June 30, 2018	<u>\$ 5,276</u>	<u>\$ 5,276</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ (5,136)</u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PERS**  
**Last 10 Fiscal Years\***

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
District's proportion of the net pension liability	0.2568070%		0.2549150%		0.2679750%		0.2688230%
District's proportionate share of the net pension liability	\$ 42,690,039	\$	45,534,184	\$	41,423,651	\$	32,630,190
District's covered payroll	\$ 16,474,306	\$	16,307,526	\$	16,741,558	\$	16,426,501
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%		279.22%		247.43%		198.63%
Plan fiduciary net position as a percentage of the total pension liability	61.49%		57.47%		61.70%		67.21%

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

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

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

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 2,468,961	\$ 2,594,703	\$ 2,568,435	\$ 2,636,795
Contributions in relation to the contractually required contribution	<u>(2,468,961)</u>	<u>(2,594,703)</u>	<u>(2,568,435)</u>	<u>(2,636,795)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 15,675,937	 16,474,306	 16,307,526	 16,741,558
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 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.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY  
OPEB  
Last 10 Fiscal Years\***

	<u><b>2018</b></u>
District's proportion of the net OPEB liability	0.32335607%
District's proportionate share of the net OPEB liability	\$ 2,537,080
District's covered-employee payroll	\$ 16,474,306
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.40%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

\* 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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

	<u><b>2018</b></u>
Contractually required contribution	\$ 108,160
Contributions in relation to the contractually required contribution	<u>(108,160)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
 District's covered-employee payroll	 16,772,887
Contributions as a percentage of covered-employee payroll	0.64%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.



**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2018**

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

Pension Schedules

(1) Change of assumptions.

2015:

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

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

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

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

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

2016:

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

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.

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.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2018**

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**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	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

## **SUPPLEMENTARY INFORMATION**

**TISHOMINGO SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to the Supplementary Information**  
**For the Year Ended June 30, 2018**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Tishomingo Special Municipal Separate School District under programs of the federal government for the year ended June 30, 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 Tishomingo Special Municipal Separate School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Tishomingo Special Municipal Separate School District.

**Note 2 – Summary of Significant Accounting Policies**

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

**Note 3 – Non-Cash Awards**

The Tishomingo Special Municipal Separate School District is the recipient of certain non-cash assistance in the form of donated commodities received from the U.S. Department of Agriculture. Revenues and expenditures are recorded for the value of commodities received. In addition, the Tishomingo Special Municipal Separate School District may receive certain other non-cash assistance from federal and state awarding agencies. The amount of non-cash assistance received at June 30, 2018 was \$81,476.

**Note 4 – Indirect Cost Rate**

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance No.</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	175MS326N1099	\$ 321,294
National school lunch program	10.555	175MS326N1099	987,439
Summer food service program for children	10.559	175MS326N1099	22,000
Total Child Nutrition Cluster			<u>1,330,733</u>
Total passed through Mississippi Department of Education			<u>1,330,733</u>
<b>Total U.S. Department of Agriculture</b>			<u><u>1,330,733</u></u>
<b><u>Federal Communications Commission</u></b>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.XXX	N/A	<u>156,035</u>
<b>Total Federal Communications Commission</b>			<u><u>156,035</u></u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024	806,861
Career and technical education-basic grants to states	84.048	V048A170024	27,677
Rural education	84.358	ES358B170024	46,387
English language acquisition grants	84.365	ES365A170024	16,258
Supporting effective instruction state grants	84.367	ES367A170023	55,322
Student support and academic enrichment program	84.424	ES424A170025	15,365
Subtotal			<u>967,870</u>
Special education cluster:			
Special education-grants to states	84.027	H027A170108	668,761
Special education-preschool grants	84.173	H173A170113	31,675
Total special education cluster			<u>700,436</u>
Total passed through Mississippi Department of Education			<u>1,668,306</u>
<b>Total U.S. Department of Education</b>			<u><u>1,668,306</u></u>
<b><u>Appalachian Regional Commission Grant</u></b>			
Pass-Through Mississippi Department of Education			
Appalachian research, technical assistance, and demonstration projects	23.011	N/A	<u>78,250</u>
Total passed through Mississippi Department of Education			<u>78,250</u>
<b>Total Appalachian Regional Commission</b>			<u><u>78,250</u></u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Pass-Through Mississippi Department of Education			
Medicaid cluster:			
Medical assistance program	93.778	1805MS5ADM	<u>19,239</u>
Total Medicaid cluster			<u>19,239</u>
Total passed through Mississippi Department of Education			<u>19,239</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><u>19,239</u></u>
<b>Total for All Federal Awards</b>			<u><u>\$ 3,252,563</u></u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2018**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 22,771,951	17,729,605	771,614	1,793,076	2,477,656
Other	<u>6,560,801</u>	<u>2,095,518</u>	<u>184,744</u>	<u>67,742</u>	<u>4,212,797</u>
Total	\$ <u>29,332,752</u>	<u>19,825,123</u>	<u>956,358</u>	<u>1,860,818</u>	<u>6,690,453</u>
Total number of students *	<u>2,969</u>				
Cost per student \$	<u>9,880</u>	<u>6,677</u>	<u>322</u>	<u>627</u>	<u>2,253</u>

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

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

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

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

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

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

## **OTHER INFORMATION**



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

**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 7,466,994	\$ 7,512,344	\$ 7,341,289	\$ 6,708,149
State sources	15,111,954	15,547,257	15,340,877	14,743,845
Federal sources	992,096	945,632	938,975	958,330
Total Revenues	<u>23,571,044</u>	<u>24,005,233</u>	<u>23,621,141</u>	<u>22,410,324</u>
<b>Expenditures:</b>				
Instruction	14,824,960	14,496,521	13,790,677	14,964,604
Support services	8,392,426	7,768,829	8,137,765	8,108,721
Noninstructional services	123,252	148,708	145,153	180,950
Facilities acquisition and construction	56,353	-	-	26,206
Debt service:				
Principal	219,282	246,655	320,423	457,272
Interest	3,910	9,298	13,038	11,896
Total Expenditures	<u>23,620,183</u>	<u>22,670,011</u>	<u>22,407,056</u>	<u>23,749,649</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(49,139)</u>	<u>1,335,222</u>	<u>1,214,085</u>	<u>(1,339,325)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	513,346	-	41,878	308,773
Insurance loss recoveries	-	2,016	3,430	126,545
Sale of other property	28,483	-	-	81,803
Operating transfers in	65,000	60,000	60,000	-
Operating transfers out	(8,273)	(1,136)	(144,942)	(3,331)
Total Other Financing Sources (Uses)	<u>598,556</u>	<u>60,880</u>	<u>(39,634)</u>	<u>513,790</u>
Net Change in Fund Balances	549,417	1,396,102	1,174,451	(825,535)
Fund Balances:				
Beginning of period	<u>7,817,760</u>	<u>6,421,658</u>	<u>5,247,207</u>	<u>6,072,742</u>
End of Period	<u>\$ 8,367,177</u>	<u>\$ 7,817,760</u>	<u>\$ 6,421,658</u>	<u>\$ 5,247,207</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

UNAUDITED

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 8,305,320	\$ 8,380,677	\$ 8,164,702	\$ 7,556,766
State sources	16,929,029	17,328,138	17,127,620	16,456,404
Federal sources	4,069,383	4,143,530	4,101,149	3,996,244
Total Revenues	<u>29,303,732</u>	<u>29,852,345</u>	<u>29,393,471</u>	<u>28,009,414</u>
<b>Expenditures:</b>				
Instruction	17,345,978	16,902,160	16,290,776	17,255,832
Support services	9,563,798	10,359,412	9,275,072	9,198,879
Noninstructional services	1,851,382	1,909,464	2,016,413	1,960,680
Facilities acquisition and construction	65,733	63,225	-	30,096
Debt service:				
Principal	409,282	1,606,655	430,423	562,272
Interest	83,227	108,265	93,906	97,096
Other	13,352	-	-	-
Total Expenditures	<u>29,332,752</u>	<u>30,949,181</u>	<u>28,106,590</u>	<u>29,104,855</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(29,020)</u>	<u>(1,096,836)</u>	<u>1,286,881</u>	<u>(1,095,441)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	513,346	2,500,000	41,878	308,773
Insurance loss recoveries	-	2,016	3,430	126,545
Sale of other property	28,483	-	440	469
Operating transfers in	285,272	304,620	514,061	396,860
Operating transfers out	(285,272)	(304,620)	(514,061)	(396,860)
Total Other Financing Sources (Uses)	<u>541,829</u>	<u>2,502,016</u>	<u>45,748</u>	<u>435,787</u>
Net Change in Fund Balances	512,809	1,405,180	1,332,629	(659,654)
Fund Balances:				
Beginning of period	10,251,488	8,841,444	7,513,689	8,156,811
Increase (Decrease) in reserve for inventory	<u>(5,633)</u>	<u>4,864</u>	<u>(4,874)</u>	<u>16,532</u>
End of Period	<u>\$ 10,758,664</u>	<u>\$ 10,251,488</u>	<u>\$ 8,841,444</u>	<u>\$ 7,513,689</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



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

Superintendent and School Board  
Tishomingo County Special Municipal Separate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Tishomingo County Special Municipal Separate School District's basic financial statements, and have issued our report thereon dated February 27, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

**Compliance and Other Matters**

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

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Iuka, Mississippi  
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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*.

#### **Tishomingo County Special Municipal Separate School District's Response to Findings**

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

#### **Purpose of this Report**

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

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

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
February 27, 2019

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

Superintendent and School Board  
Tishomingo County Special Municipal Separate School District

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

We have audited the Tishomingo County Special Municipal Separate School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Tishomingo County Special Municipal Separate School District's major federal programs for the year ended June 30, 2018. Tishomingo County Special Municipal Separate School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tishomingo County Special Municipal Separate School District's compliance.

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

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. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-003 to be a significant deficiency.

Tishomingo County Special Municipal Separate School District's response to the internal control over compliance findings identified in our audit described in the accompanying auditee's corrective action plan. Tishomingo County Special Municipal Separate School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
February 27, 2019

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





Certified Public Accountants

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

Superintendent and School Board  
Tishomingo County Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2018, which collectively comprise Tishomingo County Special Municipal Separate School District's basic financial statements and have issued our report thereon dated February 27, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

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

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

*The Sparks CPA Firm, P.C.*

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
February 27, 2019

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- |    |   |            |
|----|---|------------|
| 4. | Internal control over major programs:   |            |
|    | a. Material weaknesses identified?  | Yes        |
|    | b. Significant deficiencies identified?   | Yes        |
| 5. | Type of auditors' report issued on compliance for major programs:                                 | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | No         |
| 7. | Identification of major programs:   |            |

**Child Nutrition**

**Cluster**

- |        |  |
|--------|--|
| 10.553 | School breakfast program                 |
| 10.555 | National school lunch program            |
| 10.559 | Summer food service program for children |

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

Section II: Financial Statement Findings

**Finding: 2018-001**

**Material Weakness over Internal Control**

Criteria: The District is required to design and implement a system of internal controls that is sufficient to ensure that the risk of misappropriation of assets and financial statement misstatements is at a low level.

Condition: During test work a sample of forty (40) invoices were tested and it was noted that thirty-seven (37) of those invoices did not have appropriate documentation indicating that the invoice had been reviewed and approved for payment.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

Cause: A strong system of internal controls was not in place to ensure that all invoices have documentation of approval prior to payment.

Effect: Without a strong system of internal controls, it increases the risk that incorrect amounts could be paid for goods or services rendered.

Recommendation: The District should implement procedures to ensure that appropriate approval is documented prior to payment.

Section III: Federal Award Findings and Questioned Costs

Finding: 2018-002  
Child Nutrition Cluster  
CFDA No. 10.553, 10.555, 10.559  
Allowable Costs – Material Weakness over Internal Control

Criteria: The District is required to design and implement a system of internal controls that is sufficient to ensure that the risk of misappropriation of assets in the Child Nutrition Program and financial statement misstatements is at a low level.

Condition: During test work a sample of forty (40) Child Nutrition invoices were tested and it was noted that thirty-eight (38) of those invoices did not have appropriate documentation indicating that the Child Nutrition Director had reviewed and approved the invoices for payment.

Cause: A strong system of internal controls was not in place to ensure that all invoices have documentation of approval prior to payment.

Effect: Without a strong system of internal controls, it increases the risk that incorrect amounts could be paid for goods or services rendered.

Questioned costs: None.

Recommendation: The District should implement procedures to ensure that appropriate approval is documented prior to payment.

Finding: 2018-003  
Child Nutrition Cluster  
CFDA No. 10.553, 10.555, 10.559  
Cash Management – Significant Deficiency over Internal Control

Criteria: The District is required to design and implement a system of internal controls that is sufficient to ensure that the risk of misappropriation of assets in the Child Nutrition Program and financial statement misstatements is at a low level.

Condition: During test work it was noted that thirty-four (34) out of three hundred and forty-three (343) daily balancing sheets did not have both the cashier and the cafeteria manager's signature or initials documenting that the cash at the end of the day was double counted and verified by two individuals.

Cause: A strong system of internal controls was not in place to ensure that all cafeterias are consistently having the daily balancing sheets properly verified by two different individuals.

Effect: Without a strong system of internal control, it increases the risk of misappropriation of assets.

Questioned costs: None.

Recommendation. District should implement procedures to ensure that appropriate documentation of cash counts be maintained.

## **AUDITEE'S CORRECTIVE ACTION PLAN**

**TISHOMINGO COUNTY SCHOOL DISTRICT**  
**Auditee's Corrective Action Plan**  
**JUNE 30, 2018**

As required by 2 CFR 200.511 (a), the Tishomingo County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2018.

- 2018-001      a.      Name of Contact Person Responsible for Corrective Action
- Name: Christie Holly  
Title: Superintendent  
Phone Number: 662-423-3206
- b.      Corrective Action Planned:  
Additional internal controls will be implemented to document payment authorization of the principal or director for all invoices before payment is processed.
- c.      Anticipated Completion Date:  
2/28/19
- 
- 2018-002      a.      Name of Contact Person Responsible for Corrective Action
- Name: Christie Holly  
Title: Superintendent  
Phone Number: 662-423-3206
- b.      Corrective Action Planned:  
Additional internal controls will be implemented to document payment authorization of the director for all invoices before payment is processed.
- c.      Anticipated Completion Date:  
2/28/19
- 
- 2018-003      a.      Name of Contact Person Responsible for Corrective Action
- Name: Christie Holly  
Title: Superintendent  
Phone Number: 662-423-3206
- b.      Corrective Action Planned:  
Cafeteria staff have been re-trained on the required procedures for daily balancing. The director will monitor for compliance.
- c.      Anticipated Completion Date:  
2/13/19

Christie Holly  
Superintendent