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**TUPELO PUBLIC SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2018**

TUPELO PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board  
Tupelo Public School District

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-13, 53-54, 55, 56, 57, and 58, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the Tupelo Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tupelo Public School District's internal control over financial reporting and compliance.

Okolona, Mississippi  
December 21, 2018

*Watkins Ward and Stafford, PLLC*

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUPELO PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

The following discussion and analysis of Tupelo Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$15,495,073, including a prior period adjustment of \$6,274,928, which represents a 120% decrease from fiscal year 2017. Total net position for 2017 decreased \$7,069,900, including a prior period adjustment of \$43,814, which represents a 122% decrease from fiscal year 2016.
- General revenues amounted to \$67,188,360 and \$67,987,234, or 84% and 85% 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 \$12,484,882, or 16% of total revenues for 2018 and \$12,393,723, or 15% of total revenues for 2017.
- The District had \$88,893,387 and \$87,494,671 in expenses for fiscal years 2018 and 2017; only \$12,484,882 for 2018 and \$12,393,723 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$67,188,360 for 2018 were not adequate to provide for these programs and \$67,987,234 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$62,122,144 in revenues and \$56,565,346 in expenditures, and \$5,359,880 in other financing uses for 2018, and \$63,265,881 in revenues and \$54,736,546 in expenditures, and \$504,829 in other financing uses for 2017. The General Fund's fund balance increased by \$183,869 from 2017 to 2018, including a decrease in reserve for inventory of \$13,049, and increased by \$8,023,887, from 2016 to 2017, including a decrease in reserve for inventory of \$619.
- Among major funds, the Title I-A 2017-2018 Fund had \$1,580,655 in revenues and \$1,623,721 in expenditures, and \$43,066 in other financing sources for 2018. The Title I-A 2017-2018 Fund's fund balance did not change from 2017 to 2018.
- Among major funds, the District Capital Reserve Fund had \$4,980,909 in other financing sources for 2018. The District Capital Reserve Fund's fund balance increased by \$4,980,909 from 2017 to 2018.
- Among major funds, the Safe Room Construction Fund had \$1,320,161 in revenues and \$2,857,929 in expenditures, and \$1,452,143 in other financing sources for 2018. The Safe Room Construction Fund's fund balance decreased by \$85,625 from 2017 to 2018.
- Among major funds, the Bond Issue 2015 Capital Projects Fund had \$55,762 in revenues and \$10,345,304 in expenditures, and \$228,652 in other financing uses for 2018. The Bond Issue 2015 Capital Projects Fund's fund balance decreased by \$10,518,194 from 2017 to 2018.
- Among major funds, the Bond Issue 2017 Capital Projects Fund had \$30,685 in revenues and \$2,790,644 in expenditures, and \$1,228,893 in other financing uses for 2018. The Bond Issue 2017 Capital Projects Fund's fund balance decreased \$3,988,852 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$1,150,095 for 2018 and increased by \$1,674,881 for 2017. The increase for 2018 and 2017 was due to construction projects.
- Long-term debt decreased by \$3,067,952 for 2018 and increased by \$6,722,214 for 2017. The increase for 2017 was due primarily to the issuance of bonds. The liability for compensated absences increased by \$10,163 for 2018 and decreased by \$2,407 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 of resources, liabilities, and deferred inflows of resources, with the differences reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

TUPELO PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

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.

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 financial statements**

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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.

TUPELO PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. For the governmental activities of the district, the liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$29,763,716, and for the component unit of the district, the assets exceeded liabilities by \$1,381,484, as of June 30, 2018.

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

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

**Table 1**  
**Condensed Statement of Net Position**

	<b>Governmental Activities</b>		<b>Percentage Change</b>	<b>Component Unit</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>		<b>2018</b>	<b>2017</b>	
Current assets	\$ 38,294,237	\$ 33,324,163	14.91 %	\$ 582,421	\$ 535,806	8.70 %
Restricted assets	15,579,877	29,209,496	(46.66) %	25,525	62,011	(58.84) %
Capital assets, net	70,534,050	69,383,955	1.66 %	842,289	842,289	0.00 %
<b>Total assets</b>	<b>124,408,164</b>	<b>131,917,614</b>	<b>(5.69) %</b>	<b>1,450,235</b>	<b>1,440,106</b>	<b>0.70 %</b>
<b>Total Deferred outflows of resources</b>	<b>14,612,194</b>	<b>19,488,726</b>	<b>(25.02) %</b>	-	-	-
Current liabilities	1,132,118	1,139,498	(0.65) %	68,751	64,128	7.21 %
Long-term debt outstanding	52,075,729	55,133,518	(5.55) %	-	-	-
Net pension liability	99,407,896	108,711,157	(8.56) %	-	-	-
Net OPEB liability	6,147,453	-	N/A %	-	-	-
<b>Total liabilities</b>	<b>158,763,196</b>	<b>164,984,173</b>	<b>(3.77) %</b>	<b>68,751</b>	<b>64,128</b>	<b>7.21 %</b>
<b>Total Deferred inflows of resources</b>	<b>10,020,878</b>	<b>685,304</b>	<b>1,362.25 %</b>	-	-	-
<b>Net position:</b>						
Net investment in capital assets	18,943,123	35,208,419	(46.20) %	842,289	842,289	0.00 %
Restricted	18,209,839	12,053,940	51.07 %	-	-	-
Unrestricted	(66,916,678)	(61,525,496)	(8.76) %	539,195	533,689	1.03 %
<b>Total net position</b>	<b>\$ (29,763,716)</b>	<b>\$ (14,263,137)</b>	<b>(108.68) %</b>	<b>\$ 1,381,484</b>	<b>\$ 1,375,978</b>	<b>0.40 %</b>

TUPELO PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
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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:

	Governmental Activities	Component Unit
Total unrestricted net position (deficit)	\$ (66,916,678)	\$ 539,195
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	100,964,033	-
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 34,047,355	\$ 539,195

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

- Increase in net capital assets in the amount of \$1,150,095 due to major construction projects.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$6,147,453.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$79,673,242 and \$80,380,957, respectively. The total cost of all programs and services was \$88,893,387 for 2018 and \$87,494,671 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.

TUPELO PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

**Table 2**  
**Changes in Net Position**

	<u>Governmental Activities</u>			<u>Component Unit</u>		
	<u>Year Ended</u> <u>6/30/2018</u>	<u>Year Ended</u> <u>6/30/2017</u>	<u>Percentage</u> <u>Change</u>	<u>Year Ended</u> <u>6/30/2018</u>	<u>Year Ended</u> <u>6/30/2017</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,088,726	\$ 1,141,602	(4.63) %	\$ 558,209	\$ 580,950	(3.91) %
Operating grants and contributions	9,232,749	9,105,993	1.39 %	-	-	-
Capital grants and contributions	1,605,198	1,565,178	2.56 %	-	-	-
General revenues:						
Property taxes	33,827,572	33,876,724	(0.15) %	-	-	-
Grants and contributions not restricted	32,698,902	33,445,458	(2.23) %	-	-	-
Investment earnings	291,823	109,150	167.36 %	2,179	1,303	67.23 %
Other	362,687	551,552	(34.24) %	5,197	3,047	70.56 %
<b>Total revenues</b>	<b><u>79,107,657</u></b>	<b><u>79,795,657</u></b>	<b>(0.86) %</b>	<b><u>565,585</u></b>	<b><u>585,300</u></b>	<b>(3.37) %</b>
<b>Expenses:</b>						
Instruction	37,165,747	34,303,315	8.34 %	-	-	-
Support services	35,363,825	34,431,784	2.71 %	-	-	-
Non-instructional	3,303,016	3,444,894	(4.12) %	-	-	-
Pension expense	10,837,121	13,094,864	(17.24) %	-	-	-
OPEB expense	287,281	-	N/A %	-	-	-
Interest on long-term liabilities	1,376,318	1,550,713	(11.25) %	-	-	-
Learning Foundation	-	-	-	560,079	669,101	16.29 %
<b>Total expenses</b>	<b><u>88,333,308</u></b>	<b><u>86,825,570</u></b>	<b>1.74 %</b>	<b><u>560,079</u></b>	<b><u>669,101</u></b>	<b>16.29 %</b>
<b>Increase (Decrease) in net position</b>	<b><u>(9,225,651)</u></b>	<b><u>(7,029,913)</u></b>	<b>(31.23) %</b>	<b><u>5,506</u></b>	<b><u>(83,801)</u></b>	<b>106.57 %</b>
<b>Net Position, July 1, as previously reported</b>	<b><u>(14,263,137)</u></b>	<b><u>(7,187,582)</u></b>	<b>(98.44) %</b>	<b><u>1,375,978</u></b>	<b><u>1,370,323</u></b>	<b>0.41 %</b>
<b>Prior Period Adjustment</b>	<b><u>(6,274,928)</u></b>	<b><u>(45,642)</u></b>	<b>13,648.14 %</b>	<b><u>-</u></b>	<b><u>89,456</u></b>	<b>(100.00) %</b>
<b>Net Position, July 1, as restated</b>	<b><u>(20,538,065)</u></b>	<b><u>(7,233,224)</u></b>	<b>(183.94) %</b>	<b><u>1,375,978</u></b>	<b><u>1,459,779</u></b>	<b>(5.74) %</b>
<b>Net Position, June 30</b>	<b><u>\$ (29,763,716)</u></b>	<b><u>\$ (14,263,137)</u></b>	<b>(108.68) %</b>	<b><u>\$ 1,381,484</u></b>	<b><u>\$ 1,375,978</u></b>	<b>0.40 %</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.

TUPELO PUBLIC 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	\$ 37,165,747	\$ 34,303,315	8.34 %
Support services	35,363,825	34,431,784	2.71 %
Non-instructional	3,303,016	3,444,894	(4.12) %
Pension expense	10,837,121	13,094,864	(17.24) %
OPEB expense	287,281	-	N/A %
Interest on long-term liabilities	1,376,318	1,550,713	(11.25) %
<b>Total expenses</b>	<b>\$ 88,333,308</b>	<b>\$ 86,825,570</b>	<b>1.74 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (30,833,316)	\$ (27,925,093)	10.41 %
Support services	(33,243,243)	(32,557,225)	2.11 %
Non-instructional	170,644	115,098	48.26 %
Pension expense	(10,837,121)	(13,094,864)	(17.24) %
OPEB expense	(287,281)	-	N/A %
Interest on long-term liabilities	(1,376,318)	(1,550,713)	(11.25) %
<b>Total net (expense) revenue</b>	<b>\$ (76,406,635)</b>	<b>\$ (75,012,797)</b>	<b>(1.86) %</b>

- Net cost of governmental activities (\$76,406,635 for 2018 and \$75,012,797 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$33,827,572 for 2018 and \$33,876,724 for 2017) and state and federal revenues (\$32,384,807 for 2018 and \$33,445,458 for 2017).
- Investment earnings amounted to \$291,823 for 2018 and \$109,150 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 \$53,397,755, a decrease of \$8,684,355, which includes a decrease in inventory of \$35,471. \$28,755,466 or 54% 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 \$24,642,289 or 46% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

TUPELO PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

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 \$183,869, which includes a decrease in reserve for inventory of \$13,049. The fund balance of Other Governmental Funds showed an increase in the amount of \$743,538, which includes a decrease in reserve for inventory of \$22,422. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A 2017-201 Fund	\$ no increase or decrease
District Capital Reserve Fund	\$ 4,980,909
Safe Room Construction Fund	\$ (85,625)
Bond Issue 2015 Capital Projects Fund	\$ (10,518,194)
Bond Issue 2017 Capital Projects Fund	\$ (3,988,852)

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2018, the District's total capital assets were \$120,550,781, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$2,495,521 from 2017. Total accumulated depreciation as of June 30, 2018, was \$49,174,442, and total depreciation expense for the year was \$3,163,070, resulting in total net capital assets of \$71,376,339.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 4,122,182	\$ 4,122,182	- %
Construction in Progress	2,667,182	508,353	424.67 %
Buildings	46,981,006	47,602,523	(1.31) %
Building improvements	10,768,097	11,593,057	(7.12) %
Improvements other than buildings	2,171,028	2,159,395	0.54 %
Mobile equipment	4,132,294	3,650,194	13.21 %
Furniture and equipment	534,550	590,540	(9.48) %
<b>Total</b>	<b><u>\$ 71,376,339</u></b>	<b><u>\$ 70,226,244</u></b>	<b>1.64 %</b>

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

TUPELO PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

**Debt Administration.** At June 30, 2018, the District had \$52,075,729 in outstanding long-term debt, of which \$2,342,952 is due within one year. The liability for compensated absences increased \$10,163 from the prior year.

The District maintains an AA- bond rating.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 39,075,000	\$ 41,825,000	(6.58) %
Unamortized premium	740,927	783,879	(5.48) %
Three mill notes payable	1,340,000	1,615,000	(17.03) %
Qualified school construction bonds payable	10,435,000	10,435,000	- %
Compensated absences payable	484,802	474,639	2.14 %
<b>Total</b>	<b>\$ 52,075,729</b>	<b>\$ 55,133,518</b>	<b>(5.55) %</b>

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

**CURRENT ISSUES**

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

FINANCIAL STATEMENTS

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

**Exhibit A**

	Primary Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
<b>Assets</b>			
Cash and cash equivalents	\$ 36,171,278	537,933	36,709,211
Due from other governments, net	1,878,382		1,878,382
Accrued interest receivable	3,439		3,439
Other receivables, net	28,750	11,399	40,149
Inventories	95,818		95,818
Prepaid items	116,570	33,089	149,659
Restricted assets	15,579,877	25,525	15,605,402
Capital assets, non-depreciable:			
Land	3,922,182	200,000	4,122,182
Construction in progress	2,667,182		2,667,182
Capital assets, net of accumulated depreciation:			
Buildings	46,339,006	642,000	46,981,006
Building improvements	10,768,097		10,768,097
Improvements other than buildings	2,171,028		2,171,028
Mobile equipment	4,132,294		4,132,294
Furniture and equipment	534,261	289	534,550
Total Assets	<u>124,408,164</u>	<u>1,450,235</u>	<u>125,858,399</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pensions	14,350,119	-	14,350,119
Deferred outflows - OPEB	262,075	-	262,075
Total Deferred Outflows of Resources	<u>14,612,194</u>	<u>-</u>	<u>14,612,194</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	476,359	68,751	545,110
Interest payable on long-term liabilities	655,759	-	655,759
Long-term liabilities, due within one year:			
Capital related liabilities	2,300,000	-	2,300,000
Capital related bond premiums	42,952	-	42,952
Net OPEB liability	262,075	-	262,075
Long-term liabilities, due beyond one year:			
Capital related liabilities	48,550,000	-	48,550,000
Capital related bond premiums	697,975	-	697,975
Non-capital related liabilities	484,802	-	484,802
Net pension liability	99,407,896		99,407,896
Net OPEB liability	5,885,378	-	5,885,378
Total Liabilities	<u>158,763,196</u>	<u>68,751</u>	<u>158,831,947</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	9,606,122	-	9,606,122
Deferred inflows - OPEB	414,756	-	414,756
Total Deferred Inflows of Resources	<u>10,020,878</u>	<u>-</u>	<u>10,020,878</u>
<b>Net Position</b>			
Net investment in capital assets	18,943,123	842,289	19,785,412
Restricted for:			
Expendable:			
School-based activities	722,307	-	722,307
Debt service	7,030,874	-	7,030,874
Capital improvements	10,294,681	-	10,294,681
Unemployment benefits	161,977	-	161,977
Unrestricted	(66,916,678)	539,195	(66,377,483)
Total Net Position (deficit)	<u>\$ (29,763,716)</u>	<u>1,381,484</u>	<u>(28,382,232)</u>

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

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Statement of Activities**  
**For The Year Ended June 30, 2018**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
Governmental Activities:							
Instruction	\$ 37,165,747	502,094	4,453,345	1,376,992	(30,833,316)	-	(30,833,316)
Support services	35,363,825	-	1,892,376	228,206	(33,243,243)	-	(33,243,243)
Non-instructional	3,303,016	586,632	2,887,028	-	170,644	-	170,644
Pension expense	10,837,121	-	-	-	(10,837,121)	-	(10,837,121)
OPEB expense	287,281	-	-	-	(287,281)	-	(287,281)
Interest on long-term liabilities	1,376,318	-	-	-	(1,376,318)	-	(1,376,318)
<b>Total Governmental Activities</b>	<b>\$ 88,333,308</b>	<b>1,088,726</b>	<b>9,232,749</b>	<b>1,605,198</b>	<b>(76,406,635)</b>	<b>-</b>	<b>(76,406,635)</b>
<b>Total Component Unit</b>	<b>\$ 560,079</b>	<b>558,209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,870)</b>	<b>(1,870)</b>
General Revenues:							
Taxes:							
General purpose levies					\$ 28,944,362	-	28,944,362
Debt purpose levies					4,883,210	-	4,883,210
Unrestricted grants and contributions:							
State					31,948,768	-	31,948,768
Federal					436,039	-	436,039
Private					314,095	-	314,095
Unrestricted investment earnings					291,823	2,179	294,002
Other					362,687	5,197	367,884
<b>Total General Revenues</b>					<b>67,180,984</b>	<b>7,376</b>	<b>67,188,360</b>
<b>Change in Net Position</b>					<b>(9,225,651)</b>	<b>5,506</b>	<b>(9,220,145)</b>
Net Position (deficit) - Beginning					(14,263,137)	1,375,978	(12,887,159)
Prior Period Adjustments					(6,274,928)		(6,274,928)
Net Position (deficit) - Beginning, as restated					(20,538,065)	1,375,978	(19,162,087)
<b>Net Position (deficit) - Ending</b>					<b>\$ (29,763,716)</b>	<b>\$ 1,381,484</b>	<b>(28,382,232)</b>

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

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

**Exhibit C**

	Major Funds							Total Governmental Funds
	General Fund	Title I - A 2017-2018 Fund	District Capital Reserve Fund	Safe Room Construction Fund	Bond Issue 2015 Capital Projects Fund	Bond Issue 2017 Capital Projects Fund	Other Governmental Funds	
<b>Assets</b>								
Cash and cash equivalents	\$ 27,664,387	-	8,623,560	-	1,400,784	5,709,691	4,743,816	48,142,238
Cash with fiscal agents	-	-	-	-	-	-	2,329,117	2,329,117
Investments	-	-	-	-	-	-	1,279,800	1,279,800
Due from other governments	661,317	317,106	-	365,036	-	-	534,923	1,878,382
Accrued interest receivable	-	-	-	-	-	-	3,439	3,439
Other receivables, net	26,485	-	-	-	-	-	2,265	28,750
Due from other funds	656,551	-	811,530	732,062	-	-	19,019	2,219,162
Inventories	6,321	-	-	-	-	-	89,497	95,818
Prepaid items	116,570	-	-	-	-	-	-	116,570
<b>Total assets</b>	<b>\$ 29,131,631</b>	<b>317,106</b>	<b>9,435,090</b>	<b>1,097,098</b>	<b>1,400,784</b>	<b>5,709,691</b>	<b>9,001,876</b>	<b>56,093,276</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 66,335	-	-	110,901	78,097	200,508	20,518	476,359
Due to other funds	-	317,106	-	811,530	-	732,062	358,464	2,219,162
<b>Total Liabilities</b>	<b>\$ 66,335</b>	<b>317,106</b>	<b>-</b>	<b>922,431</b>	<b>78,097</b>	<b>932,570</b>	<b>378,982</b>	<b>2,695,521</b>
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Inventory	\$ 6,321	-	-	-	-	-	89,497	95,818
Prepaid items	116,570	-	-	-	-	-	-	116,570
<b>Restricted:</b>								
Debt service	-	-	-	-	-	-	7,686,633	7,686,633
Capital improvements	-	-	91,145	174,667	1,322,687	4,777,121	51,977	6,417,597
Unemployment benefits	-	-	-	-	-	-	161,977	161,977
Child nutrition	-	-	-	-	-	-	475,261	475,261
Grant activities	-	-	-	-	-	-	157,549	157,549
<b>Committed:</b>								
Capital repairs and renovations	-	-	5,103,445	-	-	-	-	5,103,445
Security enhancements	-	-	2,000,000	-	-	-	-	2,000,000
Technology improvements	-	-	2,240,500	-	-	-	-	2,240,500
<b>Assigned:</b>								
School activities	186,939	-	-	-	-	-	-	186,939
<b>Unassigned</b>								
<b>Total Fund Balances</b>	<b>\$ 29,065,296</b>	<b>-</b>	<b>9,435,090</b>	<b>174,667</b>	<b>1,322,687</b>	<b>4,777,121</b>	<b>8,622,894</b>	<b>53,397,755</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 29,131,631</b>	<b>317,106</b>	<b>9,435,090</b>	<b>1,097,098</b>	<b>1,400,784</b>	<b>5,709,691</b>	<b>9,001,876</b>	<b>56,093,276</b>

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

**TUPELO PUBLIC SCHOOL DISTRICT  
Governmental Funds**

**Exhibit C-1**

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

**Total fund balances for governmental funds** \$ 53,397,755

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Land	3,922,182		
Construction in progress	2,667,182		
Buildings	74,153,574		
Building improvements	20,623,992		
Improvements other than buildings	3,711,975		
Mobile equipment	8,418,223		
Furniture and equipment	3,614,810		
Accumulated depreciation	<u>(46,577,888)</u>	70,534,050	
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	(99,407,896)		
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds			
Deferred outflows of resources related to pensions	14,350,119		
Deferred inflows of resources related to pensions	<u>(9,606,122)</u>	(94,663,899)	
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	(6,147,453)		
Deferred outflows and inflows related to OPEBs are applicable to future periods and, therefore, are not reported in the funds			
Deferred outflows of resources related to OPEB	262,075		
Deferred inflows of resources related to OPEB	<u>(414,756)</u>	(6,300,134)	
4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	(39,075,000)		
Three mill notes payable	(1,340,000)		
Qualified school construction bonds	(10,435,000)		
Compensated absences	(484,802)		
Unamortized bond premiums	(740,927)		
Accrued interest payable	<u>(655,759)</u>	(52,731,488)	
<b>Net position of governmental activities</b>		<u><u>\$ (29,763,716)</u></u>	

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

TUPELO PUBLIC SCHOOL DISTRICT

Exhibit D

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For The Year Ended June 30, 2018

	Major Funds							Total Governmental Funds
	General Fund	Title I - A 2017-2018 Fund	District Capital Reserve Fund	Safe Room Construction Fund	Bond Issue 2015 Capital Projects Fund	Bond Issue 2017 Capital Projects Fund	Other Governmental Funds	
<b>Revenues:</b>								
Local sources	\$ 29,825,268	-	-	-	55,762	30,685	5,846,729	35,758,444
State sources	31,870,971	-	-	-	-	-	1,971,421	33,842,392
Federal sources	425,905	1,580,655	-	1,320,161	-	-	6,182,532	9,509,253
Total Revenues	\$ 62,122,144	1,580,655	-	1,320,161	55,762	30,685	14,000,682	79,110,089
<b>Expenditures:</b>								
Instruction	\$ 33,569,488	1,531,663	-	-	1,621,067	-	3,947,199	40,669,417
Support services	22,845,910	46,178	-	500	8,707,670	2,790,644	1,883,066	36,273,968
Noninstructional services	50,768	45,880	-	-	-	-	3,292,454	3,389,102
Facilities acquisition and construction	99,180	-	-	2,857,429	16,567	-	-	2,973,176
Debt service:								
Principal	-	-	-	-	-	-	3,025,000	3,025,000
Interest	-	-	-	-	-	-	1,426,912	1,426,912
Other	-	-	-	-	-	-	19,511	19,511
Total Expenditures	\$ 56,565,346	1,623,721	-	2,857,929	10,345,304	2,790,644	13,594,142	87,777,086
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 5,556,798	(43,066)	-	(1,537,768)	(10,289,542)	(2,759,959)	406,540	(8,666,997)
<b>Other Financing Sources (Uses):</b>								
Insurance recoveries	\$ 22,340	-	-	-	-	-	-	22,340
Payment held by QSCB escrow agent	-	-	-	-	-	-	959,094	959,094
Payment to QSCB bond escrow agent	-	-	-	-	-	-	(959,094)	(959,094)
Sale of transportation equipment	8,204	-	-	-	-	-	-	8,204
Operating transfers in	113,325	215,373	5,000,000	1,452,143	-	-	1,162,196	7,943,037
Operating transfers out	(5,503,749)	(172,307)	(19,091)	-	(216,221)	(1,228,893)	(802,776)	(7,943,037)
Other financing uses	-	-	-	-	(12,431)	-	-	(12,431)
Total Other Financing Sources (Uses)	\$ (5,359,880)	43,066	4,980,909	1,452,143	(228,652)	(1,228,893)	359,420	18,113
Net Change in Fund Balances	\$ 196,918	-	4,980,909	(85,625)	(10,518,194)	(3,988,852)	765,960	(8,648,884)
<b>Fund Balances:</b>								
June 30, 2017	\$ 28,881,427	-	4,454,181	260,292	11,840,881	8,765,973	7,879,356	62,082,110
Increase (Decrease) in reserve for inventory	\$ (13,049)	-	-	-	-	-	(22,422)	(35,471)
June 30, 2018	\$ 29,065,296	-	9,435,090	174,667	1,322,687	4,777,121	8,622,894	53,397,755

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

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (8,648,884)

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

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

Capital outlay	4,382,094	
Depreciation expense	<u>(3,163,070)</u>	1,219,024

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. (68,929)

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

Amortization of premiums on bonds issued	42,952	
Amortization of deferred refunding costs	(24,551)	
Payments of debt principal	3,025,000	
Decrease in accrued interest payable	<u>32,191</u>	3,075,592

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

Change in compensated absences	(10,163)	
Change in inventory reserve	(35,471)	
Contributions subsequent to the measurement date - OPEB	262,075	
OPEB expense	(287,281)	
Contributions subsequent to the measurement date - pensions	6,105,507	
Pension expense	<u>(10,837,121)</u>	(4,802,454)

**Change in net position of governmental activities** \$ (9,225,651)

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

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

**Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 158,971	\$ 2,138,474
Total Assets	<u>158,971</u>	<u>2,138,474</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	2,080,444
Due to student clubs	-	58,030
Total Liabilities	<u>-</u>	<u>\$ 2,138,474</u>
<b>Net Assets</b>		
Reserved for endowments	125,000	
Held in trust	33,971	
Total Net Position	<u>\$ 158,971</u>	

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

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For The Year Ended June 30, 2018**

**Exhibit F**

	<u>Private-Purpose Trust Funds</u>
<b>Additions</b>	
Interest and dividends	\$ 652
Total Additions	<u>652</u>
<b>Deductions</b>	
Scholarships awarded	<u>1,500</u>
Total Deductions	<u>1,500</u>
Change in Net Position	(848)
<b>Net Position</b>	
July 1, 2017	<u>159,819</u>
June 30, 2018	<u>\$ 158,971</u>

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Tupelo since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

Discretely Presented Component Unit

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

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

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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 of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

The school district reports the following major governmental funds:

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

Title I-A 2017-2018 Fund – This is a special revenue fund that is used to account for transactions related to Part A of the Elementary and Secondary Education Act that provides assistance to local educational agencies and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state and academic standards.

District Capital Reserve Fund – This is the School District's fund for committed reserves and some restricted reserves set aside for specific purposes.

Safe Room Construction – This is the School District's fund for construction of FEMA shelters on the campuses of school sites.

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

Bond Issue 2017 Capital Projects Fund – This is a capital projects fund that is used to account for general obligation bond proceeds set aside for capital projects.

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

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

The District's fiduciary funds include the following:

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

**FIDUCIARY FUNDS**

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

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

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

**d. Encumbrances**

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

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

1. Cash, Cash Equivalents and Investments

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

The District reports deferred pension outflows of resources. This is related to the implementation of GASB 68. The District also reports deferred OPEB outflow of resources. This is related to the implementation of GASB 75.

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,

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 1 – Summary of Significant Accounting Policies (Continued)**

deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District currently reports deferred pension inflow of resources related to the implementation of GASB 68. The District also reports deferred OPEB inflows of resources. This is related to the implementation of GASB 75.

See note 16 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide and component unit 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 7 for details.

10. Pensions

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

11. 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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 1 – Summary of Significant Accounting Policies (Continued)**

was zero as of the measurement date of June 30, 2017. 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 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 the approval of the type and amount of the commitment through a formal order of the school board. Currently, the district has committed \$9,343,945: \$5,103,445 for capital repairs and renovations, \$2,000,000 for security enhancements, and \$2,240,500 for technological improvements.

*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/or the Finance Director.

*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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of local and state revenues.

**f. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, discretely presented component units, and fiduciary funds was \$48,142,238, \$563,458, and \$2,297,445, 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. 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 \$54,879,767 was exposed to custodial credit risk.

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

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

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions in governmental funds was \$2,329,117.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
US Treasury Notes	AAAm	1-8 years	\$ 1,279,800
			<u>\$ 1,279,800</u>

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

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

- US Treasury Notes of \$1,279,800 are valued using quoted market prices (Level 1 inputs)

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2018, the district did not have any investments to which this would apply.

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**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 1 - A 2017-2018 Fund	\$ 317,106
General Fund	Other Governmental Funds	339,445
District Capital Reserve	Safe Room Construction	811,530
Safe Room Construction	Bond Issue 2017 Capital Projects	732,062
Other Governmental Funds	Other Governmental Funds	19,019
		<u>\$ 2,219,162</u>

The primary purpose of 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	District Capital Reserve	\$ 5,000,000
General Fund	Other Governmental Funds	503,749
Title I-A 2017-2018 Fund	General Fund	46,926
Title I-A 2017-2018 Fund	Other Governmental Funds	125,381
District Capital Reserve	Safe Room Construction	19,091
Bond Issue 2015 Capital Projects	Safe Room Construction	216,221
Bond Issue 2017 Capital Projects	Safe Room Construction	1,216,831
Bond Issue 2017 Capital Projects	Other Governmental Funds	12,062
Other Governmental Funds	General Fund	66,399
Other Governmental Funds	Title 1 - A 2017-2018	215,373
Other Governmental Funds	Other Governmental Funds	521,004
		<u>\$ 7,943,037</u>

The principal purpose of inter-fund transfers was to provide funds to re-pay purchases categorized for various bond issuances, to record indirect costs, to fund the vocational program with local funds, and to transfer committed funds per board action. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 4 – Restricted Assets**

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

Funds with Restricted Balances	Account	Amount
Special Revenue Funds	Cash and Cash Equivalents	\$ 717,583
District Capital Reserve	Cash and Cash Equivalents	116,670
Bond Issue 2015 Capital Projects	Cash and Cash Equivalents	1,400,784
Bond Issue 2017 Capital Projects	Cash and Cash Equivalents	5,709,691
Other Capital Projects Funds	Cash and Cash Equivalents	51,977
QSCB Retirement Funds	Cash and Cash Equivalents	970,507
Other Debt Service Funds	Cash and Cash Equivalents	3,003,748
Component Unit	Cash and Cash Equivalents	25,525
Total Restricted Cash and Cash Equivalents		<u>11,996,485</u>
QSCB Retirement Funds	Cash with Fiscal Agents	2,329,117
Total Restricted Cash with Fiscal Agents		<u>2,329,117</u>
QSCB Sinking Funds	Investments	1,279,800
Total Restricted Investments		<u>1,279,800</u>
Total Restricted Assets		<u>\$ 15,605,402</u>

\$7,110,475 of the restricted assets total are unspent bond proceeds for the use of capital improvements.

**Note 5 – Other Receivables**

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

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

	Amount
Governmental activities	
Laptop funds due to school	\$ 267,445
Lift, Inc. due to food service	25,388
MS Action for Progress, Inc. due to food service	2,265
Less: Allowance for uncollectible amounts	(266,348)
Total Other Receivables, Net - Governmental Activities	<u>\$ 28,750</u>
Component Unit:	
Learning Foundation:	
Due from tenants	\$ 438,261
Less: Allowance for uncollectible accounts	(426,862)
Total Other Receivables, Net - Component Unit	<u>\$ 11,399</u>
Total Other Receivables, Net - Total Reporting Entity	<u>\$ 40,149</u>

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 6 – Capital Assets**

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

<b>Governmental Activities:</b>	Balance 7/1/2017	Increases	Decreases	Completed Construction	Balance 6/30/2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 3,922,182	-	-	-	\$ 3,922,182
Constuction in progress	508,353	2,857,429	-	(698,600)	2,667,182
Total non-depreciable capital assets	4,430,535	2,857,429	-	(698,600)	6,589,364
<u>Depreciable capital assets:</u>					
Buildings	73,454,974	-	-	698,600	74,153,574
Building improvements	20,623,992	-	-	-	20,623,992
Improvements other than buildings	3,581,611	130,364	-	-	3,711,975
Mobile equipment	7,817,337	1,093,056	492,170	-	8,418,223
Furniture and equipment	4,707,968	301,245	1,394,403	-	3,614,810
Total depreciable capital assets	110,185,882	1,524,665	1,886,573	698,600	110,522,574
<u>Less accumulated depreciation for:</u>					
Buildings	26,494,451	1,320,117	-	-	27,814,568
Building improvements	9,030,935	824,960	-	-	9,855,895
Improvements other than buildings	1,422,216	118,731	-	-	1,540,947
Mobile equipment	4,167,143	561,740	442,954	-	4,285,929
Furniture and equipment	4,117,717	337,522	1,374,690	-	3,080,549
Total accumulated depreciation	45,232,462	3,163,070	1,817,644	-	46,577,888
Total depreciable capital assets, net	64,953,420	(1,638,405)	68,929	698,600	63,944,686
Governmental activities capital assets, net	\$ 69,383,955	1,219,024	68,929	-	\$ 70,534,050

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 6 – Capital Assets (Continued)**

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

<b>Component Unit:</b>	Balance 7/1/2017	Increases	Decreases	Completed Construction	Balance 6/30/2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 200,000	-	-	-	\$ 200,000
Total non-depreciable capital assets	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
<u>Depreciable capital assets:</u>					
Buildings	3,210,000	-	-	-	3,210,000
Furniture and equipment	28,843	-	-	-	28,843
Total depreciable capital assets	<u>3,238,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,238,843</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,568,000	-	-	-	2,568,000
Furniture and equipment	28,554	-	-	-	28,554
Total accumulated depreciation	<u>2,596,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,596,554</u>
 Total depreciable capital assets, net	 <u>642,289</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>642,289</u>
 Governmental activities capital assets, net	 <u>\$ 842,289</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 842,289</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
Instruction	\$ 701,024
Support services	2,442,867
Non-instructional	19,179
Total depreciation expense-governmental activities	<u>\$ 3,163,070</u>
 <b>Component Unit:</b>	
Learning Foundation	\$ -
Total depreciation expense-component unit	<u>\$ -</u>

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 6 – Capital Assets (Continued)**

Commitments under construction contracts at June 30, 2018 are summarized as follows:

<b>Governmental Activities:</b>	Spent to June 30, 2018	Remaining Commitment
Tupelo High School Safe Shelter	\$ 2,667,182	\$ 4,351,103
Total governmental activities	<u>\$ 2,667,182</u>	<u>\$ 4,351,103</u>

Construction projects included in governmental activities are funded with General Obligation bond proceeds and FEMA grants.

**Note 7 – Long-term Liabilities**

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

Description	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
a. General obligation bonds payable	\$ 41,825,000	-	2,750,000	39,075,000	1,775,000
Premiums/Discounts	783,879	-	42,952	740,927	42,952
b. Three mill notes payable	1,615,000	-	275,000	1,340,000	525,000
c. Qualified school construction bonds payable	10,435,000	-	-	10,435,000	-
d. Compensated absences payable	474,639	10,163	-	484,802	-
Total	<u>\$ 55,133,518</u>	<u>10,163</u>	<u>3,067,952</u>	<u>52,075,729</u>	<u>2,342,952</u>

**a. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2015	3.00-3.50%	9/1/2015	9/1/2035	34,100,000	31,025,000
2. General obligation bonds, Series 2017	1.90-2.125%	3/15/2017	3/15/2028	8,800,000	8,050,000
Total				<u>\$ 42,900,000</u>	<u>\$ 39,075,000</u>

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 7 – Long-term Liabilities (Continued)**

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

1. General obligation bonds, Series 2015

Year Ending June 30	Principal	Interest	Total
2019	\$ 825,000	1,006,725	1,831,725
2020	850,000	981,600	1,831,600
2021	910,000	955,200	1,865,200
2022	1,425,000	920,175	2,345,175
2023	1,425,000	877,425	2,302,425
2024-2028	7,625,000	3,614,500	11,239,500
2029-2033	10,350,000	2,200,653	12,550,653
2034-2036	7,615,000	327,228	7,942,228
Total	\$ <u>31,025,000</u>	<u>10,883,506</u>	<u>41,908,506</u>

This debt will be retired from the BI Retirement Fund.

Bond Premium: The general obligation bonds, series 2015 were issued with a bond premium of \$859,045. This premium was capitalized and will be amortized over the remaining life of the bonds. During the fiscal year, \$42,952 was amortized and the remaining balance to be amortized is \$740,927.

2. General obligation bonds, Series 2017

Year Ending June 30	Principal	Interest	Total
2019	\$ 950,000	162,690	1,112,690
2020	960,000	144,640	1,104,640
2021	510,000	126,400	636,400
2022	600,000	116,200	716,200
2023	640,000	104,200	744,200
2024-2028	4,390,000	288,681	4,678,681
Total	\$ <u>8,050,000</u>	<u>942,811</u>	<u>8,992,811</u>

This debt will be retired from the BI Retirement Fund.

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 7 – Long-term Liabilities (Continued)**

Total general obligation bonds:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,775,000	1,169,415	2,944,415
2020	1,810,000	1,126,240	2,936,240
2021	1,420,000	1,081,600	2,501,600
2022	2,025,000	1,036,375	3,061,375
2023	2,065,000	981,625	3,046,625
2024-2028	12,015,000	3,903,181	15,918,181
2029-2033	10,350,000	2,200,653	12,550,653
2034-2036	7,615,000	327,228	7,942,228
<b>Total</b>	<b>\$ 39,075,000</b>	<b>11,826,317</b>	<b>50,901,317</b>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018, the amount of outstanding bonded indebtedness was equal to 6.83% of property assessments as of October 1, 2017.

**b. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax note, Series 2011	3.04%	5/19/2011	9/1/2020	\$ 2,275,000	1,340,000
<b>Total</b>				<b>\$ 2,275,000</b>	<b>1,340,000</b>

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

Limited tax note, Series 2011

Year Ending June 30	Principal	Interest	Total
2019	\$ 525,000	32,756	557,756
2020	475,000	12,388	487,388
2021	340,000	10,336	350,336
<b>Total</b>	<b>\$ 1,340,000</b>	<b>55,480</b>	<b>1,395,480</b>

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 7 – Long-term Liabilities (Continued)**

**c. Qualified school construction bonds payable**

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds payable, Series 2010	0.84%	1/14/2010	6/30/2024	\$ 3,000,000	\$ 3,000,000
2. Qualified school construction bonds payable, Series 2011	4.60%	12/20/2011	12/1/2025	3,000,000	3,000,000
3. Qualified school construction bonds payable, Series 2013	0.00%	7/9/2013	6/15/2028	<u>4,435,000</u>	<u>4,435,000</u>
Total				<u>\$ 10,435,000</u>	<u>\$ 10,435,000</u>

The Qualified School Construction Bond (QSCB) issued 1/14/2010, was issued at a nominal interest rate. Investors receive federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows the state and local governments to borrow without incurring interest costs.

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

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

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

1. Qualified school construction bonds payable, Series 2010

Year Ending June 30	Principal	Interest	Total
2019	\$ -	25,200	25,200
2020	-	25,200	25,200
2021	-	25,200	25,200
2022	-	25,200	25,200
2023	-	25,200	25,200
2023-2024	<u>3,000,000</u> *	<u>50,400</u>	<u>3,050,400</u>
Total	<u>\$ 3,000,000</u>	<u>176,400</u>	<u>3,176,400</u>

\* Payable from sinking fund, see Note 14.

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 7 – Long-term Liabilities (Continued)**

2. Qualified school construction bonds payable, Series 2011

Year Ending			
June 30	Principal	Interest	Total
2019	\$ -	138,000	138,000
2020	-	138,000	138,000
2021	-	138,000	138,000
2022	-	138,000	138,000
2023	-	138,000	138,000
2023-2026	3,000,000 *	414,000	3,414,000
Total	<u>\$ 3,000,000</u>	<u>1,104,000</u>	<u>4,104,000</u>

\* Payable from sinking fund, see Note 14.

3. Qualified school construction bonds payable, Series 2013

Year Ending			
June 30	Principal	Interest	Total
2019	\$ -	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	4,435,000 *	-	4,435,000
Total	<u>\$ 4,435,000</u>	<u>-</u>	<u>4,435,000</u>

\* Payable from sinking fund, see Note 14.

Total Qualified School Construction Bonds Payable:

Year Ending			
June 30	Principal	Interest	Total
2019	-	163,200	163,200
2020	-	163,200	163,200
2021	-	163,200	163,200
2022	-	163,200	163,200
2023	-	163,200	163,200
2024-2028	10,435,000 *	464,400	10,899,400
Total	<u>\$ 10,435,000</u>	<u>1,280,400</u>	<u>11,715,400</u>

\* Payable from sinking fund, see Note 14.

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**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 8— Other Commitments**

Commitments under construction contracts are described in Note 6.

Operating Leases

The school district has an operating lease for copiers and printers.

Lease expenditures for the year ended June 30, 2018 amounted to \$228,621. Future minimum lease payments for these copier leases are as follows:

June 30	Amount
2019	\$ 234,000
2020	234,000
2021	234,000
Total	<u>\$ 702,000</u>

**Note 9 – Defined Benefit Pension Plan**

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

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 9 – Defined Benefit Pension Plan (Continued)**

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 \$6,105,507, \$6,042,050, and \$6,132,438, 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 \$99,407,896 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2018 net pension liability was 0.5980 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.0106 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$10,837,121. 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	\$ 1,457,141	\$ 725,351
Net difference between projected and actual earnings on pension plan investments	4,595,956	
Changes of assumptions	1,685,079	172,396
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	506,436	8,708,375
District's contributions subsequent to the measurement date	6,105,507	
Total	<u>\$ 14,350,119</u>	<u>\$ 9,606,122</u>

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 9 – Defined Benefit Pension Plan (Continued)**

\$6,105,507 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:

<u>Year Ending June 30,</u>		
2019	\$	825,995
2020		(729,524)
2021		<u>(1,457,981)</u>
	\$	<u><u>(1,361,510)</u></u>

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

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U. S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
	<u>100.00</u>			

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
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**Note 9 – Defined Benefit Pension Plan (Continued)**

*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%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	\$ 130,380,092	\$ 99,407,896	\$ 73,694,243

*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 10 – 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 OEPB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

*Benefits provided.*

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 10 – Other Postemployment Benefits (OPEB) (Continued)**

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 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 \$262,075 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of \$6,147,453 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 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 .7835 percent. This was a decrease of .02 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$287,281. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in assumptions	-	313,026
Changes in proportion and differences between District contributions and proportionate share of contributions	-	101,730
District contributions subsequent to the measurement date	262,075	
<b>Total</b>	<b>\$ 262,075</b>	<b>\$ 414,756</b>

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 10 – Other Postemployment Benefits (OPEB) (Continued)**

\$262,075 reported as deferred outflows or resources related to OPEB resulting from school district contributions subsequent to the measurement date will be 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	\$	(72,764)
2020		(72,764)
2021		(72,764)
2022		(72,764)
2023		(72,764)
Thereafter		<u>(50,936)</u>
	\$	<u>(414,756)</u>

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

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 10 – Other Postemployment Benefits (OPEB) (Continued)**

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

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

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

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

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

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

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

*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	\$ 6,309,803	\$ 6,147,453	\$ 6,026,550

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

	1% Decrease	Health Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 5,677,585	\$ 6,147,453	\$ 6,683,857

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 10 – Other Postemployment Benefits (OPEB) (Continued)**

*OPEB plan fiduciary net position.* The fiduciary net position for the OEPB 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 11 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
Governmental activities:	
Implementation of GASB 75:	
Net OPEB liability (measurement date 6/30/16) and deferred inflows related to OPEB	\$ (6,274,928)
Total	\$ (6,274,928)

**Note 12 – Contingencies**

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

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

**Note 13 – Risk Management**

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

**Note 14 – Qualified School Construction Bonds**

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 14 – Qualified School Construction Bonds (Continued)**

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2018, the subsidy payments amounted to \$128,892.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2018 was \$3,608,917. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

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

Year Ending	Amount
<u>June 30</u>	<u>Amount</u>
2019	\$ 854,000
2020	854,000
2021	855,000
2022	855,000
2023	781,000
2024-2028	<u>2,662,000</u>
Total	<u>\$ 6,861,000</u>

**Note 15 – Insurance Loss Recoveries**

The Tupelo Public School District received \$22,340 in insurance loss recoveries related to fleet accident damage during the 2017-2018 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function	Primary Government	Reporting Entity
\$ -	0.00%	Instruction	\$ -	-
22,340	100.00%	Support services	22,340	22,340
-	0.00%	Non-instructional		
<u>\$ 22,340</u>	<u>100.00%</u>		<u>\$ 22,340</u>	<u>22,340</u>

**Note 16 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(66,377,483) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$14,612,194 balance of the deferred outflow of resources at June 30, 2018 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 16 – Effect of Deferred Amounts on Net Position (Continued)**

The unrestricted net position amount of \$(66,377,483) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$10,020,878 balance of the deferred inflow of resources at June 30, 2018 will be recognized as revenue and increase unrestricted net position over the next 3 years.

**Note 17 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tupelo Public School District evaluated the activity of the District through December 21, 2018, (the date the financial statements were available to be issued), and determined no subsequent events have occurred that would require disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 28,703,500	\$ 29,026,098	\$ 29,825,268	\$ 322,598	\$ 799,170
State sources	31,775,328	31,908,116	31,870,971	132,788	(37,145)
Federal sources	507,412	644,849	425,905	137,437	(218,944)
<b>Total Revenues</b>	<b>60,986,240</b>	<b>61,579,063</b>	<b>62,122,144</b>	<b>592,823</b>	<b>543,081</b>
<b>Expenditures:</b>					
Instruction	35,332,140	35,963,099	33,569,488	(630,959)	2,393,611
Support services	25,639,772	25,378,253	22,845,910	261,519	2,532,343
Noninstructional services	50,303	54,073	50,768	(3,770)	3,305
Facilities acquisition and construction	-	100,000	99,180	(100,000)	820
<b>Total Expenditures</b>	<b>61,022,215</b>	<b>61,495,425</b>	<b>56,565,346</b>	<b>(473,210)</b>	<b>4,930,079</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(35,975)	83,638	5,556,798	119,613	5,473,160
<b>Other Financing Sources (Uses):</b>					
Insurance recoveries	-	22,340	22,340	22,340	-
Sale of transportation equipment	-	-	8,204	-	8,204
Operating transfers in	127,622	224,898	113,325	97,276	(111,573)
Operating transfers out	(526,474)	(5,504,103)	(5,503,749)	(4,977,629)	354
<b>Total Other Financing Sources (Uses)</b>	<b>(398,852)</b>	<b>(5,256,865)</b>	<b>(5,359,880)</b>	<b>(4,858,013)</b>	<b>(103,015)</b>
<b>Net Change in Fund Balances</b>	<b>(434,827)</b>	<b>(5,173,227)</b>	<b>196,918</b>	<b>(4,738,400)</b>	<b>5,370,145</b>
<b>Fund Balances:</b>					
June 30, 2017	27,727,281	28,881,427	28,881,427	1,154,146	-
Increase (Decrease) in reserve for inventory	-	(13,049)	(13,049)	(13,049)	-
<b>June 30, 2018</b>	<b>\$ 27,292,454</b>	<b>\$ 23,695,151</b>	<b>\$ 29,065,296</b>	<b>\$ (3,597,303)</b>	<b>\$ 5,370,145</b>

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

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Title I-A 2017-2018 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	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	2,235,076	2,234,959	1,580,655	(117)	(654,304)
<b>Total Revenues</b>	<b>2,235,076</b>	<b>2,234,959</b>	<b>1,580,655</b>	<b>(117)</b>	<b>(654,304)</b>
<b>Expenditures:</b>					
Instruction	2,235,076	2,054,773	1,531,663	180,303	523,110
Support services	-	115,279	46,178	(115,279)	69,101
Noninstructional services	-	76,010	45,880	(76,010)	30,130
<b>Total Expenditures</b>	<b>2,235,076</b>	<b>2,246,062</b>	<b>1,623,721</b>	<b>(10,986)</b>	<b>622,341</b>
Excess (Deficiency) of Revenues over (under) Expenditures	-	(11,103)	(43,066)	(11,103)	(31,963)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	215,373	215,373	215,373	-
Operating transfers out	-	(204,270)	(172,307)	(204,270)	31,963
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>11,103</b>	<b>43,066</b>	<b>11,103</b>	<b>31,963</b>
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -

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

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PERS**  
**Last 10 Fiscal Years \***

		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	%	0.5980%	0.6086%	0.6144%	0.6235%
District's proportionate share of the net pension liability (asset)	\$	99,407,896	108,711,157	94,974,124	75,678,935
District's covered payroll		38,362,224	38,936,119	38,386,820	38,097,852
District's proportionate share of the net pension liability as a percentage of its covered payroll		259.13%	279.20%	247.41%	198.64%
Plan fiduciary net position as a percentage of the total pension liability		61.49%	57.47%	61.70%	67.21%

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

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

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

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,105,507	6,042,050	\$ 6,132,438	6,045,883
Contribution in relation to the contractually required contribution	6,105,507	6,042,050	6,132,438	6,045,883
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	38,765,107	38,362,224	38,936,119	38,386,820
Contributions as a percentage of its covered payroll	15.75%	15.75%	15.75%	15.75%

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

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

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**OPEB**  
**Last 10 Fiscal Years \***

	<u>2018</u>
District's proportion of the net OPEB liability	% 0.7835%
District's proportionate share of the net OPEB liability	\$ 6,147,453
District's covered employee-payroll	27,135,575
District's proportionate share of the net OPEB liability as a percentage of its covered employee-payroll	22.65%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**OPEB**  
**Last 10 Fiscal Years**

	<u>2018</u>
Contractually required contribution	\$ 262,075
Contribution in relation to the contractually required contribution	262,075
Contribution deficiency (excess)	<u>\$ -</u>
District's covered employee-payroll	27,135,575
Contributions as a percentage of its covered employee-payroll	0.97%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2018

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and revisions.

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

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Clue 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.

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:

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2018**

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

- (3) *Methods and assumptions used in calculations of actuarially determined contributions.*  
 The actuarially determined contribution 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	3.00 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00 percent
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2022
Long-term investment rate of return, net of Pension plan investment expense, including prince inflation	3.56 percent

SUPPLEMENTARY INFORMATION

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Supplementary Information**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Passed Through to Sub- Recipients	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
Passed-through Mississippi Department of Education:				
Child Nutrition cluster:				
School Breakfast Program	10.553	185MS326N1099	\$ -	\$ 849,095
National School Lunch Program	10.555	185MS326N1099	-	2,072,687
Summer Food Program	10.559	185MS326N1099	-	18,457
Total Child Nutrition cluster			-	2,940,239
Child and Adult Care Food Program	10.558	185MS326N1099	-	17,120
Total passed-through Mississippi Department of Education			-	2,957,359
Passed-through Mississippi Department of Agriculture				
Specialty Crop - Farm Bill	10.170	N/A	-	382
<b>Total U.S. Department of Agriculture</b>			-	<b>2,957,741</b>
<b><u>U.S. Department of the Interior</u></b>				
Passed-through the National Environmental Education and Training Foundation:				
Youth Engagement, Education, and Employment	15.676	N/A	-	7,404
<b>Total U.S. Department of the Interior</b>			-	<b>7,404</b>
<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	-	157,777
<b>Total Federal Communications Commission</b>			-	<b>157,777</b>
<b><u>National Endowment for the Arts</u></b>				
Passed-through Mississippi Arts Commission:				
Promotion of the Arts - Partnership Agreements	45.025	N/A	-	569
<b>Total National Endowment for the Arts</b>			-	<b>569</b>
<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	-	2,294,622
Career and Technical Education - Basic Grants to States	84.048	V048A170024	-	81,688
Education for Homeless Children and Youth	84.196	ES196A170025	-	27,456
English Language Acquisition Grants	84.365	ES367A170023	-	55,758
Supporting Effective Instruction State Grants	84.367	ES377A150025	4,895	444,898
Student support and academic enrichment program	84.424	ES424A170025	-	6,099
Subtotal			4,895	2,910,521
Special Education cluster:				
Special Education - Grants to States	84.027	H027A170108	-	1,659,395
Special Education - Preschool Grants	84.173	H173A170113	-	88,959
Total Special Education cluster			-	1,748,354
Total passed-through Mississippi Department of Education			-	4,658,875
<b>Total U.S. Department of Education</b>			4,895	4,658,875
<b><u>U.S. Department of Health and Human Services</u></b>				
Passed-through Mississippi Department of Health:				
Medical Assistance Program	93.778	1805MS5ADM	-	14,118
Assistance Programs for Chronic Disease Prevention and Control	93.945	1805MS5ADM	-	3,200
Total passed-through Mississippi Department of Health			-	17,318
<b>Total U.S. Department of Health and Human Services</b>			-	<b>17,318</b>
<b><u>U.S. Department of Homeland Security</u></b>				
Passed-through Mississippi Emergency Management Agency:				
Hazard Mitigation Grant	97.039	N/A	-	1,320,161
<b>Total U.S. Department of Homeland Security</b>			-	<b>1,320,161</b>
Total for All Federal Awards			\$ 4,895	\$ 9,119,845

The notes to the Supplementary Information are an integral part of this schedule.

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Supplementary Information**  
**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	\$ 52,872,772	41,158,289	2,241,754	3,407,712	6,065,017
Other	34,904,314	7,653,713	931,031	104,154	26,215,416
 Total	 <u>\$ 87,777,086</u>	 <u>48,812,002</u>	 <u>3,172,785</u>	 <u>3,511,866</u>	 <u>32,280,433</u>
 Total number of students *	 <u>5,819</u>				
 Cost per student	 <u>\$ 15,084</u>	 <u>8,388</u>	 <u>545</u>	 <u>604</u>	 <u>5,547</u>

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

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

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

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT  
Notes to Supplementary Information  
For the Year Ended June 30, 2018

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Tupelo Public 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Tupelo Public School District it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Tupelo Public School District.

(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 reimbursements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reports as expenditures in prior years.

(3) Indirect Cost Rate

The Tupelo Public School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 29,825,268	29,777,221	27,791,500	27,804,017
State sources	31,870,971	32,601,720	32,574,680	31,941,656
Federal sources	425,905	886,940	898,739	537,585
Total Revenues	62,122,144	63,265,881	61,264,919	60,283,258
<b>Expenditures:</b>				
Instruction	33,569,488	32,014,906	32,395,649	33,272,428
Support services	22,845,910	22,634,593	22,175,320	22,248,185
Noninstructional services	50,768	87,047	125,668	218,676
Facilities acquisition and construction	99,180	-	-	-
Total Expenditures	56,565,346	54,736,546	54,696,637	55,739,289
Excess (Deficiency) of Revenues over (under) Expenditures	5,556,798	8,529,335	6,568,282	4,543,969
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	22,340	-	25,408	-
Sale of transportation equipment	8,204	10,840	9,253	4,492
Operating transfers in	113,325	116,247	258,870	205,333
Operating transfers out	(5,503,749)	(631,916)	(878,787)	(1,728,254)
Total Other Financing Sources (Uses)	(5,359,880)	(504,829)	(585,256)	(1,518,429)
Net Change in Fund Balances	196,918	8,024,506	5,983,026	3,025,540
<b>Fund Balances:</b>				
Beginning of period, as previously reported	28,881,427	20,857,540	14,745,813	11,827,685
Prior period adjustments	-	-	134,630	(102,674)
Beginning of period, as restated	28,881,427	20,857,540	14,880,443	11,725,011
Increase (Decrease) in reserve for inventory	(13,049)	(619)	(5,929)	(4,738)
End of Period	\$ 29,065,296	\$ 28,881,427	\$ 20,857,540	\$ 14,745,813

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**TUPELO PUBLIC SCHOOL DISTRICT**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 35,758,444	\$ 35,626,771	\$ 33,262,889	\$ 33,593,144
State sources	33,842,392	34,163,880	34,158,965	33,060,254
Federal sources	9,509,253	10,081,227	8,737,244	7,828,083
<b>Total Revenues</b>	<b>79,110,089</b>	<b>79,871,878</b>	<b>76,159,098</b>	<b>74,481,481</b>
<b>Expenditures:</b>				
Instruction	40,669,417	37,692,074	38,887,967	38,252,401
Support services	36,273,968	34,956,834	32,609,842	25,083,642
Noninstructional services	3,389,102	3,538,985	3,523,983	3,689,574
Facilities acquisition and construction	2,973,176	3,625,124	1,879,402	3,326,494
Debt service:				
Principal	3,025,000	4,232,427	4,116,606	4,394,618
Interest	1,426,912	1,865,746	303,965	470,317
Other	19,511	64,331	833,182	13,221
<b>Total Expenditures</b>	<b>87,777,086</b>	<b>85,975,521</b>	<b>82,154,947</b>	<b>75,230,267</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(8,666,997)	(6,103,643)	(5,995,849)	(748,786)
<b>Other Financing Sources (Uses):</b>				
Proceeds of general obligation bonds	-	9,900,000	34,100,000	306,000
Proceeds of loans	-	1,100,000	-	-
Premium on bond issuance	-	-	859,045	-
Insurance recoveries	22,340	-	25,408	-
Sale of transportation equipment	8,204	10,840	9,253	4,492
Payment held by QSCB escrow agent	959,094	488,549	474,849	-
Payment to QSCB bond escrow agent	(959,094)	(488,549)	(474,849)	-
Operating transfers in	7,943,037	3,871,623	4,354,792	3,551,564
Operating transfers out	(7,943,037)	(3,871,623)	(4,354,792)	(3,551,564)
Other financing uses	(12,431)	(76,223)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>18,113</b>	<b>10,934,617</b>	<b>34,993,706</b>	<b>310,492</b>
Extraordinary items	-	-	-	486,085
<b>Net Change in Fund Balances</b>	<b>(8,648,884)</b>	<b>4,830,974</b>	<b>28,997,857</b>	<b>47,791</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	62,082,110	57,240,145	28,127,246	28,212,948
Prior period adjustments	-	2,140	134,630	(103,734)
Beginning of period, as restated	62,082,110	57,242,285	28,261,876	28,109,214
Increase (Decrease) in reserve for inventory	(35,471)	8,851	(19,588)	(29,759)
<b>End of Period</b>	<b>\$ 53,397,755</b>	<b>\$ 62,082,110</b>	<b>\$ 57,240,145</b>	<b>\$ 28,127,246</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggers, CPA	Thomas A. Davis, CPA
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J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

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

Superintendent and School Board  
Tupelo Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Tupelo Public School District, as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the Tupelo Public School District's basic financial statements, and have issued our report thereon dated December 21, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

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

Okolona, Mississippi  
December 21, 2018

*Watkins Ward and Stafford, PLLC*



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

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

Superintendent and School Board  
Tupelo Public School District

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control Over Compliance**

Management of the Tupelo Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Tupelo Public School District's internal control over compliance with

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

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

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

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

Okolona, Mississippi  
December 21, 2018

*Watkins Ward and Stafford, PLLC*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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

James L. Stafford, CPA	Thomas J. Browder, CPA
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
 Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2018, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated December 21, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

**Finding**

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

**Recommendation**

PERS Form 4B must be completed by the PERS service retiree and the appointing authority of the PERS covered agency employing such service retiree with the PERS office within five (5) days from the date of reemployment and within five (5) days from the termination of such reemployment.

**Response**

The Human Resources Director stated that in the future care will be taken to ensure that PERS Form 4B is filed in the PERS office within five (5) days of reemployment of a PERS service retiree.

**Finding**

Under the reemployment provisions of Section 25-11-127, Miss. Code Ann. 1972, as amended, the retirees are limited to the amount they may be compensated in a fiscal year based upon their salary at retirement. During the testing of retired personnel, it was noted that two retiree were paid amounts in excess of the amount allowed by their PERS Form 4B.

**Recommendation**

Care should be taken to ensure that re-hired retirees are not paid amounts in excess of the amounts allowed per their PERS Form 4B.

**Response**

The payroll clerk stated that it was up to the employee to ensure that they do not work more than the allowed amount of time. Human Resources makes sure that each retiree is made aware of the maximum amount they are allowed to earn.

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

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

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

Okolona, Mississippi  
December 21, 2018

*Watkins Ward and Stafford, PLLC*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TUPELO PUBLIC SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |     |   |   |
|-----|---|---|
| 4.  | Internal control over major programs:   |   |
|     | a. Material weakness (es) identified?   | No  |
|     | b. Significant deficiency (ies) identified?   | None reported                             |
| 5.  | Type of auditor's report issued on compliance for major federal programs:   | Unmodified                                |
| 6.  | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  | No  |
| 7.  | Identification of major programs:   |   |
|     | <u>CFDA Numbers</u>   | <u>Name of Federal Program or Cluster</u> |
|     | 84.027, 84.173  | Special Education Cluster                 |
|     | 84.367  | Title II – Improving Teacher Quality      |
| 8.  | Dollar threshold used to distinguish between type A and type B programs:  | \$750,000                                 |
| 9.  | Auditee qualified as a low-risk auditee?  | Yes                                       |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal Awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.51(b). | No  |

TUPELO PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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