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AMORY SEPARATE SCHOOL DISTRICT

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

AMORY SEPARATE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Amory Separate School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Amory Separate School District as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the Amory Separate 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, each major fund, and the aggregate remaining fund information of the Amory Separate 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 4-11, 44-45, 46, 47, 48, and 49, 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 Amory Separate School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 30, 2018, on our consideration of the Amory Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Amory Separate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amory Separate School District's internal control over financial reporting and compliance.

Okolona, Mississippi
November 30, 2018

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

The following discussion and analysis of Amory Separate School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2018 decreased \$1,484,651, including a prior period adjustment of \$1,304,227, which represents a 11.5% decrease from fiscal year 2017. Total net position for 2017 decreased \$524,087, which represents a 4% decrease from fiscal year 2016.
- General revenues amounted to \$12,549,643 and \$12,264,288, or 80% and 81% 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 \$3,072,934, or 20% of total revenues for 2018 and \$2,853,559, or 19% of total revenues for 2017.
- The District had \$15,803,001 and \$15,641,934 in expenses for fiscal years 2018 and 2017; only \$3,072,934 for 2018 and \$2,853,559 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,549,643 for 2018 and \$12,264,288 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$11,696,916 in revenues and \$11,037,799 in expenditures for 2018, and \$11,486,481 in revenues and \$10,805,426 in expenditures for 2017. The General Fund's fund balance increased by \$786,680 from 2017 to 2018, and increased by \$517,365 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$63,754 for 2018 and decreased by \$6,195 for 2017. The decrease for 2018 was due to the addition of \$126,436 coupled with the increase in accumulated depreciation of \$190,190.
- Long-term debt decreased by \$748,182 for 2018 and decreased by \$150,105 for 2017. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$616 for 2018 and increased by \$26,481 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, deferred inflows of resources, and liabilities with the differences between the two 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.

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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 OEPB liability result in liabilities on the government-wide financial statements,

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,340,699 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.

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 3,807,204	\$ 3,409,907	11.65 %
Restricted assets	38	131,387	(99.97) %
Capital assets, net	5,543,485	5,607,239	(1.14) %
Total assets	9,350,727	9,148,533	2.21 %
Deferred outflows of resources	2,354,088	5,207,035	(54.79) %
Current liabilities	373,951	577,855	(35.29) %
Long-term debt outstanding	2,793,447	3,542,245	(21.14) %
Net OPEB liability	1,297,423	N/A	N/A %
Net pension liability	20,613,009	22,042,321	(6.48) %
Total liabilities	25,077,830	26,162,421	(4.15) %
Deferred inflows of resources	967,684	1,049,195	(7.77) %
Net position:			
Net investment in capital assets	2,992,485	2,198,239	36.13 %
Restricted	821,754	1,138,582	(27.83) %
Unrestricted	(18,154,938)	(16,192,869)	12.12 %
Total net position (deficit)	\$ (14,340,699)	\$ (12,856,048)	11.55 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (18,154,938)
Effect of pension and OPEB liability transactions	
Net pension liability	\$ 20,613,009
Net OPEB liability	1,297,423
Deferred outflows of resources from pension and OPEB obligations	(2,354,088)
Deferred inflows of resources from pension and OPEB obligations	967,684
Unrestricted net position exclusive of the net pension and OPEB liability effect	<u>\$ 2,369,090</u>

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

- Decrease in net capital assets in the amount of \$63,754.
- The principal retirement of \$748,798 of long-term debt (including decrease of \$616 in compensated absences).
- Implementation of GASB 75 which resulted in the recognition of a net OEPB liability in the amount of \$1,297,423.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$15,622,577 and \$15,117,847, respectively. The total cost of all programs and services was \$15,803,001 for 2018 and \$15,641,934 for 2017.

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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

Table 2
Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 414,436	\$ 542,832	(23.65) %
Operating grants and contributions	2,601,015	2,253,244	15.43 %
Capital Grants and Contributions	57,483	57,483	0.00 %
General revenues:			
Property taxes	3,263,714	3,103,687	5.16 %
Grants and contributions not restricted	8,965,545	8,952,990	0.14 %
Investment earnings	8,795	7,507	17.16 %
Sixteenth section	5,286	16,240	(67.45) %
Other	306,303	183,864	66.59 %
Total revenues	15,622,577	15,117,847	3.34 %
Expenses:			
Instruction	7,377,387	7,241,834	1.87 %
Support services	4,620,550	4,508,274	2.49 %
Non-instructional	1,035,250	985,644	5.03 %
Pension expense	2,574,203	2,734,933	(5.88) %
OPEB expense	63,630		N/A %
Interest on long-term liabilities	131,981	171,249	(22.93) %
Total expenses	15,803,001	15,641,934	1.03 %
Increase (Decrease) in net position	(180,424)	(524,087)	(65.57) %
Net Position (Deficit), July 1, as previously reported	(12,856,048)	(12,331,961)	4.25 %
Prior Period Adjustment	(1,304,227)	-	N/A %
Net Position (Deficit), July 1, as restated	(14,160,275)	(12,331,961)	(14.83) %
Net Position (Deficit), June 30	\$ (14,340,699)	\$ (12,856,048)	(11.55) %

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2018	2017	Change
Instruction	\$ 7,377,387	\$ 7,241,834	1.87 %
Support services	4,620,550	4,508,274	2.49 %
Non-instructional	1,035,250	985,644	5.03 %
Pension expense	2,574,203	2,734,933	(5.88) %
OPEB expense	63,630		N/A %
Interest on long-term liabilities	131,981	171,249	(22.93) %
Total expenses	\$ 15,803,001	\$ 15,641,934	1.03 %
	Net (Expense) Revenue		Percentage
	2018	2017	Change
Instruction	\$ (6,177,143)	\$ (6,330,018)	(2.42) %
Support services	(3,866,976)	(3,798,269)	1.81 %
Non-instructional	(24,577)	145,878	(116.85) %
Pension expense	(2,574,203)	(2,734,933)	(5.88) %
OPEB expense	(63,630)		N/A %
Interest on long-term liabilities	(23,538)	(71,033)	(66.86) %
Total net (expense) revenue	\$ (12,730,067)	\$ (12,788,375)	(0.46) %

- Net cost of governmental activities (\$12,730,067 for 2018 and \$12,788,375 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$3,263,714 for 2018 and \$3,103,687 for 2017) and state and federal revenues (\$8,965,545 for 2018 and \$8,952,990 for 2017). In addition, there was \$5,286 and \$16,240 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$8,795 for 2018 and \$7,507 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.

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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 \$3,471,532, an increase of \$456,279, which includes an increase in inventory of \$2,546. \$2,328,351 or 67% 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 \$1,143,181 or 33% 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.

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 \$786,680. The fund balance of Other Governmental Funds showed a decrease in the amount of \$389,811. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Food Service Fund	\$	59,410
3 Mill Note Retirement Fund	\$	0

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 \$15,905,788, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$126,436 from 2017. Total accumulated depreciation as of June 30, 2018, was \$10,362,303, and total depreciation expense for the year was \$190,190, resulting in total net capital assets of \$5,543,485.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 79,885	\$ 79,885	0.00 %
Buildings	4,909,359	4,976,581	(1.35) %
Improvements other than buildings	65,779	712	9,138.62 %
Mobile equipment	358,051	433,201	(17.35) %
Furniture and equipment	130,411	116,860	11.60 %
Total	\$ 5,543,485	\$ 5,607,239	(1.14) %

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

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

Debt Administration. At June 30, 2018, the District had \$2,793,447 in outstanding long-term debt, of which \$252,934 is due within one year. The liability for compensated absences decreased \$616 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ -	\$ 475,000	(100.00) %
Three mill notes payable	829,000	1,002,000	(17.27) %
Shortfall notes payable	132,665	22,847	480.67 %
Qualified school construction bonds payable	1,722,000	1,932,000	(10.87) %
Compensated absences payable	109,782	110,398	(0.56) %
Total	<u>\$ 2,793,447</u>	<u>\$ 3,542,245</u>	<u>(21.14) %</u>

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

CURRENT ISSUES

The Amory Separate School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial 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 Amory Separate School District, P.O. Box 330, Amory, Mississippi, 38821.

BASIC FINANCIAL STATEMENTS

**Amory Separate School District
Statement of Net Position
June 30, 2018**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,211,584
Due from other governments	561,147
Other receivables, net	1,533
Inventories	32,940
Restricted assets	38
Capital assets, non-depreciable:	
Land	79,885
Capital assets, net of accumulated depreciation:	
Buildings	4,909,359
Improvements other than buildings	65,779
Mobile equipment	358,051
Furniture and equipment	130,411
Total Assets	<u>9,350,727</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,298,777
Deferred outflows - OPEB	55,311
Total Deferred Outflows of Resources	<u>2,354,088</u>
Liabilities	
Accounts payable and accrued liabilities	335,710
Interest payable on long-term liabilities	38,241
Long-term liabilities, due within one year:	
Capital related liabilities	210,000
Non-capital related liabilities	42,934
Net OPEB liability	55,311
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,341,000
Non-capital related liabilities	199,513
Net pension liability	20,613,009
Net OPEB liability	1,242,112
Total Liabilities	<u>25,077,830</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	897,250
Deferred inflows - OPEB	70,434
Total Deferred Inflows of Resources	<u>967,684</u>
Net Position	
Net investment in capital assets	2,992,485
Restricted for:	
Expendable:	
School-based activities	452,741
Debt service	8,121
Capital improvements	332,453
Unemployment benefits	28,439
Unrestricted	(18,154,938)
Total Net Position (Deficit)	<u>\$ (14,340,699)</u>

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

**Amory Separate School District
Statement of Activities
For The Year Ended June 30, 2018**

Exhibit B

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
			Operating	Capital	
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 7,377,387	230,298	969,946	-	\$ (6,177,143)
Support services	4,620,550	-	696,091	57,483	(3,866,976)
Non-instructional	1,035,250	184,138	826,535	-	(24,577)
Pension expense	2,574,203	-	-	-	(2,574,203)
OPEB expense	63,630	-	-	-	(63,630)
Interest on long-term liabilities	131,981	-	108,443	-	(23,538)
Total Governmental Activities	<u>\$ 15,803,001</u>	<u>414,436</u>	<u>2,601,015</u>	<u>57,483</u>	<u>\$ (12,730,067)</u>
General Revenues:					
Taxes:					
General purpose levies					3,028,012
Debt purpose levies					235,702
Unrestricted grants and contributions:					
State					8,776,642
Federal					188,903
Unrestricted investment earnings					8,795
Sixteenth section					5,286
Other					306,303
Total General Revenues					<u>12,549,643</u>
Change in Net Position					<u>(180,424)</u>
Net Position (Deficit) - Beginning, as previously reported					(12,856,048)
Prior Period Adjustments					<u>(1,304,227)</u>
Net Position - Beginning, as restated					<u>(14,160,275)</u>
Net Position (Deficit) - Ending					<u>\$ (14,340,699)</u>

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

**Amory Separate School District
Governmental Funds
Balance Sheet
June 30, 2018**

Exhibit C

	Major Funds			Other	Total
	General	Food	3 Mill Note	Governmental	Governmental
	Fund	Service	Retirement	Funds	Funds
		Fund	Fund		
Assets					
Cash and cash equivalents	\$ 2,207,907	403,013	171,612	429,052	3,211,584
Cash with fiscal agents	-	-	-	38	38
Due from other governments	372,088	-	30,280	158,779	561,147
Other receivables, net	100	916	-	-	1,016
Due from other funds	138,377	-	-	-	138,377
Inventories	-	32,940	-	-	32,940
Total assets	<u>\$ 2,718,472</u>	<u>436,869</u>	<u>201,892</u>	<u>587,869</u>	<u>3,945,102</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 106,935	109	195,981	32,685	335,710
Due to other funds	-	-	5,911	131,949	137,860
Total Liabilities	<u>106,935</u>	<u>109</u>	<u>201,892</u>	<u>164,634</u>	<u>473,570</u>
Fund Balances:					
Nonspendable:					
Inventory	-	32,940	-	-	32,940
Restricted:					
Debt service	-	-	-	46,362	46,362
Capital projects	-	-	-	332,453	332,453
Grant activities	-	403,820	-	15,981	419,801
Unemployment benefits	-	-	-	28,439	28,439
Assigned:					
Capital improvements	204,522	-	-	-	204,522
Activity funds	78,664	-	-	-	78,664
Unassigned	<u>2,328,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,328,351</u>
Total Fund Balances	<u>2,611,537</u>	<u>436,760</u>	<u>-</u>	<u>423,235</u>	<u>3,471,532</u>
Total Liabilities and Fund Balances	<u>\$ 2,718,472</u>	<u>436,869</u>	<u>201,892</u>	<u>587,869</u>	<u>3,945,102</u>

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

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2018

Total fund balances for governmental funds \$ 3,471,532

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	\$ 79,885	
Buildings	13,509,448	
Improvements other than buildings	136,281	
Mobile equipment	1,611,375	
Furniture and equipment	568,799	
Accumulated depreciation	(10,362,303)	5,543,485

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	(20,613,009)	
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	2,298,777	
Deferred inflows of resources related to pensions	(897,250)	(19,211,482)

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

Net OPEB liability	(1,297,423)	
Deferred outflows and inflows related to OPEB are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to OPEB	55,311	
Deferred inflows of resources related to OPEB	(70,434)	(1,312,546)

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:

Three mill notes payable	(829,000)	
Shortfall notes payable	(132,665)	
Qualified school construction bonds payable	(1,722,000)	
Compensated absences	(109,782)	
Accrued interest payable	(38,241)	(2,831,688)

Net position of governmental activities \$ (14,340,699)

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

**Amory Separate School District
Governmental Funds**

Exhibit D

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

	Major Funds				
	General Fund	Food Service Fund	3 Mill Note Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 3,334,364	299,720	195,980	88,225	\$ 3,918,289
State sources	8,168,364	9,387	-	1,227,882	9,405,633
Federal sources	188,903	814,447	-	1,215,060	2,218,410
Sixteenth section sources	5,285	-	-	-	5,285
Total Revenues	11,696,916	1,123,554	195,980	2,531,167	15,547,617
Expenditures:					
Instruction	6,964,460	-	-	1,305,608	8,270,068
Support services	4,039,925	-	-	873,377	4,913,302
Noninstructional services	33,414	1,051,690	-	6,634	1,091,738
Debt service:					
Principal	-	-	173,000	707,847	880,847
Interest	-	-	22,980	122,574	145,554
Total Expenditures	11,037,799	1,051,690	195,980	3,016,040	15,301,509
Excess (Deficiency) of Revenues over (under) Expenditures	659,117	71,864	-	(484,873)	246,108
Other Financing Sources (Uses):					
Bonds and notes issued	132,665	-	-	-	132,665
Capital leases issued	-	-	-	-	-
Insurance recovery	74,960	-	-	-	74,960
Operating transfers in	90,614	-	-	228,160	318,774
Operating transfers out	(170,676)	(15,000)	-	(133,098)	(318,774)
Total Other Financing Sources (Uses)	127,563	(15,000)	-	95,062	207,625
Net Change in Fund Balances	786,680	56,864	-	(389,811)	453,733
Fund Balances:					
July 1, 2017	1,824,857	377,350	-	813,046	3,015,253
Increase (Decrease) in reserve for inventory	-	2,546	-	-	2,546
June 30, 2018	\$ 2,611,537	436,760	-	423,235	\$ 3,471,532

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

Amory Separate 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 **\$ 453,733**

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	\$ 126,436	
Depreciation expense	<u>(190,190)</u>	(63,754)

2. 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:

Bonds and notes issued	(132,665)	
Payments of debt principal	880,847	
Accrued interest payable	<u>13,573</u>	761,755

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

Pension expense	(2,574,203)	
Contributions subsequent to the measurement date	<u>1,247,202</u>	(1,327,001)

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

OPEB expense	(63,630)	
Contributions subsequent to the measurement date	<u>55,311</u>	(8,319)

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

Change in compensated absences	616	
Change in inventory reserve	<u>2,546</u>	3,162

Change in net position of governmental activities		<u><u>\$ (180,424)</u></u>
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The accompanying notes to financial statements are an integral part of these financial statements.

**Amory Separate School District
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2018**

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	591,698
Total Assets	<u>591,698</u>
Liabilities	
Accounts payable and accrued liabilities	538,489
Due to other funds	517
Due to student clubs	52,692
Total Liabilities	<u>591,698</u>

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Food Service Fund – This is a special revenue fund that accounts for the revenues and expenditures of the School Food Service and Child Nutrition program.

3 Mill Note Retirement Fund – This is a debt service fund that accounts for the ad valorem revenue and debt service expenditures of the district's 2016 three mill note.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

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

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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

FIDUCIARY FUNDS

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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 not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental 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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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

See Note 7 and Note 8 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 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 a resolution approved by

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

the School Board. Currently there is no committed fund balance for this school district.

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

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

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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, and Cash with Fiscal Agents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,211,584 and \$591,698, 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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 2 – Cash and Cash Equivalents, and Cash with Fiscal Agents (Continued)

In the event of a 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 \$3,969,906 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$38.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I	35,297
General Fund	Title VI - Rural & Low Income	5,229
General Fund	Title II - Improv Teacher Quality	3,880
General Fund	EHA, Part B	73,166
General Fund	EHA, Preschool	14,377
General Fund	2016 3 Mill Note	5,911
General Fund	Payroll Clearing	335
General Fund	Accounts Payable Clearing	182
		<u>\$ 138,377</u>

The amounts due to or due from other funds primarily represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Unemployment Compensation Fund	\$ 10
General Fund	QSCB Bond Retirement Fund	170,666
EEF - Building & Buses Fund	QSCB Bond Retirement Fund	57,484
Title 1	General Fund	9,663
Food Service Fund	General Fund	15,000
State Aid Capital Bond - 2008	General Fund	65,951
		<u>\$ 318,774</u>

The transfers represent Board approved operating transfers for school operations and planning purposes.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance, totaling \$38 of the State Aid Capital Bond Fund.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 79,885			\$ 79,885
Total non-depreciable capital assets	79,885	-	-	79,885
<u>Depreciable capital assets:</u>				
Buildings	13,509,448			13,509,448
Improvements other than buildings	71,214	65,067		136,281
Mobile equipment	1,595,053	16,322		1,611,375
Furniture and equipment	523,752	45,047		568,799
Total depreciable capital assets	15,699,467	126,436	-	15,825,903
<u>Less accumulated depreciation for:</u>				
Buildings	8,532,867	67,222		8,600,089
Improvements other than buildings	70,502			70,502
Mobile equipment	1,161,852	91,472	-	1,253,324
Furniture and equipment	406,892	31,496		438,388
Total accumulated depreciation	10,172,113	190,190	-	10,362,303
Total depreciable capital assets, net	5,527,354	(63,754)	-	5,463,600
Governmental activities capital assets, net	\$ 5,607,239	(63,754)	-	\$ 5,543,485

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	Amount
Instruction	\$ 9,007
Support services	173,427
Non-instructional	7,756
Total depreciation expense-governmental activities	\$ 190,190

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 6 – 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. Limited obligations bonds payable	\$ 475,000		475,000	0	0
B. Three mill notes payable	1,002,000	0	173,000	829,000	
C. Shortfall notes payable	22,847	132,665	22,847	132,665	42,934
D. Qualified school construction bonds	1,932,000		210,000	1,722,000	210,000
E. Compensated absences payable	110,398	0	616	109,782	
Total	<u>\$ 3,542,245</u>	<u>132,665</u>	<u>881,463</u>	<u>2,793,447</u>	<u>252,934</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Series 2009	4.41%	2/27/2008	2/01/2018	\$ 2,235,000	0
Total				<u>\$ 2,235,000</u>	<u>0</u>

This debt was retired from the MAEP Bond Retirement Debt Service Fund.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill limited tax note, Series 2016	2.25%	7/17/2016	7/12/2026	1,170,000	829,000
Total				<u>\$ 1,170,000</u>	<u>829,000</u>

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 6 – Long-term Liabilities (Continued)

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

Year Ending June 30	Principal	Interest	Total
2019	0	0	0
2020	177,000	19,367	196,367
2021	87,000	15,384	102,384
2022	89,000	13,427	102,427
2023	91,000	11,424	102,424
2024-2027	385,000	23,376	408,376
Total	\$ 829,000	82,978	911,978

This debt will be retired from the Three Mill Note Debt Service Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note, Series 2014	2.32%	8/15/2014	8/15/2017	66,998	0
Shortfall note, Series 2017	2.97%	8/22/2017	8/22/2020	132,665	132,665
Total				\$ 199,663	132,665

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

Shortfall note, Series 2017

Year Ending

June 30	Principal	Interest	Total
2019	42,934	3,940	46,874
2020	44,209	2,665	46,874
2021	45,522	1,352	46,874
Total	\$ 132,665	7,957	140,622

This debt will be retired from the Shortfall Notes Retirement Fund.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 6 – Long-term Liabilities (Continued)

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable, Series 2010	5.65%	10/22/2010	8/01/2025	\$ 3,000,000	1,722,000
Total				<u>\$ 3,000,000</u>	<u>1,722,000</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 210,000	97,293	307,293
2020	210,000	85,428	295,428
2021	210,000	73,563	283,563
2022	216,000	61,698	277,698
2023	218,000	494,494	712,494
2024-2026	658,000	74,467	732,467
Total	<u>\$ 1,722,000</u>	<u>886,943</u>	<u>2,608,943</u>

This debt will be retired from the QSCB 2010 Retirement Fund.

E. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 7 – Defined Benefit Pension Plan (Continued)

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017, and 2016 were \$1,247,202, \$1,252,059, and \$1,243,538, 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 \$20,613,009 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 0.1240 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.0006 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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 7 – Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$2,574,203. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 299,244	\$ (150,407)
Net difference between projected and actual earnings on pension plan investments		(231,451)
Changes of assumptions	481,413	(34,956)
Changes in proportion and differences between the district's contributions and proportionate share of overall contributions	270,918	(480,436)
District's contributions subsequent to the measurement date	1,247,202	
Total	<u>\$ 2,298,777</u>	<u>\$ (897,250)</u>

\$1,247,202 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2019	315,321
2020	209,596
2021	27,577
2022	(398,169)
2023	-
Total	<u>154,325</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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 7 – Defined Benefit Pension Plan (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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
	100.00	

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 rates equal to the difference between actuarially determined contribution rates and the member 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 27,035,337	\$ 20,613,009	\$ 15,281,080

Note 7 – Defined Benefit Pension Plan (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit 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 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 \$55,311 for the year ended June 30, 2018.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 8 – Other Postemployment Benefits (OPEB) (Continued)

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

At June 30, 2018, the District reported a liability of \$1,297,423 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was .1654 percent. This was a decrease of .0006 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 \$63,630. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$
Changes of assumptions		(66,064)
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		(4,370)
District contributions subsequent to the measurement date	55,311	
Total	\$ <u>55,311</u>	\$ <u>(70,434)</u>

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 8 – Other Postemployment Benefits (OPEB) (Continued)

\$55,311 reported as deferred outflows or resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	
2019	(12,357)
2020	(12,357)
2021	(12,357)
2022	(12,357)
2023	(12,357)
Thereafter	(8,649)
Total	<u>(70,434)</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 plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent of 2017 decreasing to an ultimate rate of 5.00 percent by 2023
Pre-Medicare	

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 8 – 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	\$	1,331,687	\$ 1,297,423	\$ 1,271,907

Sensitivity of the District's proportionate share of 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	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$	1,198,257	\$ 1,297,423	\$ 1,410,632

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 8 – 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 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2019	\$ 3,657
2020	3,657
2021	3,657
2022	3,657
2023	1,618
2024-2028	7,963
2029-2038	6,805
2039-2043	4,207
Total	\$ <u>35,221</u>

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 11 – Risk Management (Continued)

Participation in Public Entity Risk Pool

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

Note 12 – Qualified School Construction Bonds

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

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 payment amounted to \$90,294.

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. This district promises to pay interest on such principal amount from the date of this Note or from the most recent interest payment date to which interest has been paid at the rate of interest per annum set forth above on October 22 of each year, commencing October 22, 2011. However, the United States Treasury reimburses the district for the amount of interest paid on the principal amount.

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$18,154,938) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions and OPEBs. A portion of the deferred outflow of resources related to pensions in the amount of \$1,247,202, and OPEB in the amount of \$55,311 resulting from the school contributions subsequent to the measurement date will be recognized as reductions of the net pension liability and net OPEB liability in the year ended June 30, 2019. The \$1,051,575 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 13 – Effect of Deferred Amounts on Net Position (Continued)

The unrestricted net position amount of (\$18,154,938) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions and OPEBs. The \$897,250 balance of deferred inflow of resources relating to pensions, at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years. The \$70,434 balance of deferred inflow of resources relating to OPEB, at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

Note 14 – Subsequent Event

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 Amory Separate School District evaluated the activity of the District through November 30, 2018, (the date the financial statements were available to be issued), and determined that one subsequent event had occurred that would require disclosure in the notes to the financial statements. On July 5, 2018, the school board approved the issuance of a \$271,631 shortfall note from First American National Bank at 4.12% interest.

REQUIRED SUPPLEMENTARY INFORMATION

**Amory Separate School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,478,069	\$ 3,364,362	\$ 3,334,364	\$ (113,707)	\$ (29,998)
State sources	8,075,961	8,168,364	8,168,364	92,403	-
Federal sources	168,000	188,903	188,903	20,903	-
Sixteenth section sources	15,000	5,285	5,285	(9,715)	-
Total Revenues	11,737,030	11,726,914	11,696,916	(10,116)	(29,998)
Expenditures:					
Instruction	6,892,070	6,953,120	6,964,460	(61,050)	(11,340)
Support services	4,315,949	4,086,808	4,039,925	229,141	46,883
Noninstructional services	-	1,817	33,414	(1,817)	(31,597)
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	11,208,019	11,041,745	11,037,799	166,274	3,946
Excess (Deficiency) of Revenues over (under) Expenditures	529,011	685,169	659,117	156,158	(26,052)
Other Financing Sources (Uses):					
Bonds and notes issued	-	132,665	132,665	132,665	-
Insurance recovery		74,960	74,960	74,960	-
Operating transfers in	15,000	90,614	90,614	75,614	-
Operating transfers out	(171,675)	(170,676)	(170,676)	999	-
Total Other Financing Sources (Uses)	(156,675)	127,563	127,563	284,238	-
Net Change in Fund Balances	372,336	812,732	786,680	440,396	(26,052)
Fund Balances:					
July 1, 2017	1,824,857	1,824,857	1,824,857	-	-
June 30, 2018	\$ 2,197,193	\$ 2,637,589	\$ 2,611,537	\$ 440,396	\$ (26,052)

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

**Amory Separate School District
Required Supplementary Information
Budgetary Comparison Schedule
Food Service Fund
For The Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 302,505	\$ 299,720	\$ 299,720	\$ (2,785)	\$ -
State sources	10,000	9,387	9,387	(613)	-
Federal sources	756,327	814,447	814,447	58,120	-
Total Revenues	1,068,832	1,123,554	1,123,554	54,722	-
Expenditures:					
Noninstructional services	1,053,832	1,127,795	1,051,690	(73,963)	76,105
Total Expenditures	1,053,832	1,127,795	1,051,690	(73,963)	76,105
Excess (Deficiency) of Revenues over (under) Expenditures	15,000	(4,241)	71,864	(19,241)	76,105
Other Financing Sources (Uses):					
Operating transfers out	(15,000)	(15,000)	(15,000)	-	-
Total Other Financing Sources (Uses)	(15,000)	(15,000)	(15,000)	-	-
Net Change in Fund Balances	-	(19,241)	56,864	(19,241)	76,105
Fund Balances:					
July 1, 2017	377,350	377,350	377,350	-	-
Increase (Decrease) in reserve for inventory	-	2,546	2,546	2,546	-
June 30, 2018	\$ 377,350	\$ 360,655	\$ 436,760	\$ (16,695)	\$ 76,105

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

Amory Separate 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)	0.1240%	0.1234%	0.1306%	0.1218%
District's proportionate share of the net pension liability (asset)	\$ 20,613,009	22,042,322	20,188,185	14,783,440
District's covered payroll	\$ 7,949,581	7,895,479	8,157,943	7,442,165
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.30%	279.18%	247.47%	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.

Amory Separate 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	\$ 1,247,202	1,252,059	1,243,538	1,284,876
Contribution in relation to the contractually required contribution	1,247,202	1,252,059	1,243,538	1,284,876
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	7,918,743	7,949,581	7,895,479	8,157,943
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.

Amory Separate School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
Last 10 Fiscal Years *

		<u>2018</u>
District's proportion of the net OPEB liability (asset)	%	0.1654%
District's proportionate share of the net OPEB liability (asset)	\$	1,297,423
District's covered payroll		7,430,967
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll		17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

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

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

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

Amory Separate School District
Required Supplementary Information
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	<u>2018</u>
Contractually required contribution	\$ 55,311
Contribution in relation to the contractually required contribution	55,311
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	7,431,967
Contributions as a percentage of its covered payroll	0.74%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

AMORY SEPARATE 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 Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

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

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

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

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

2016:

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

2017:

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

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

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

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:

AMORY SEPARATE 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 price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

Amory Separate 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
<u>U.S. Department of Agriculture</u>				
Passed-through Mississippi Department of Education:				
Child nutrition cluster:				
School breakfast program	10.553	185MS326N1099	-	192,448
National school lunch program	10.555	185MS326N1099	-	621,999
Discretionary Grant	10.570	185MS326N1099	-	4,443
Total child nutrition cluster			-	818,890
Total passed-through Mississippi Department of Education			-	818,890
Total U.S. Department of Agriculture			-	818,890
<u>Federal Communications Commission</u>				
Administered through the Universal Service Administrative Company:				
The schools and libraries program of the universal service fund	32.xxx	N/A	-	41,808
Total Federal Communications Commission			-	41,808
<u>U.S. Department of Education</u>				
Passed-through Mississippi Department of Education:				
Title I grants to local educational agencies	84.010	ES010A170024	-	502,857
Title II	84.042	ES367A170023	-	8,242
Vocational rehabilitation - grants to states	84.048	V048A170024	-	20,932
Rural education	84.358	ES358B170024	-	31,843
Improving teacher quality - state grants	84.367	ES377A150025	-	107,462
Subtotal			-	671,336
Special education cluster:				
Special education - grants to states	84.027	H027A170108	-	394,113
Special education - preschool grants	84.173	H173A170113	-	27,182
Positive behavior	84.326	H027A170108	-	3,827
Total special education cluster			-	425,122
Total passed-through Mississippi Department of Education			-	1,096,458
Total U.S. Department of Education			-	1,096,458
<u>U.S. Department of Health and Human Services</u>				
Passed-through Mississippi Department of Education:				
Medical assistance program	93.778	1805MS5ADM	-	75,685
Total U.S. Department of Health and Human Services			-	75,685
Total Expenditures of Federal Awards			\$ -	\$ 2,032,841

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

Amory Separate 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	\$ 10,754,874	7,378,370	1,471,035	900,941	1,004,528
Other	4,546,635	700,848	438,301	33,000	3,374,486
Total	<u>\$ 15,301,509</u>	<u>8,079,218</u>	<u>1,909,336</u>	<u>933,941</u>	<u>4,379,014</u>
Total number of students *	<u>1,778</u>				
Cost per student	<u>\$ 8,606</u>	<u>4,544</u>	<u>1,074</u>	<u>525</u>	<u>2,463</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

AMORY SEPARATE 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 Amory Separate School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Amory Separate School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Amory Separate 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 reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

OTHER INFORMATION

Amory Separate School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 3,334,364	3,209,612	2,846,459	2,743,175
State sources	8,168,364	8,067,223	8,139,642	7,908,676
Federal sources	188,903	193,406	179,661	175,189
Sixteenth section sources	5,285	16,240	10,847	-
Total Revenues	<u>11,696,916</u>	<u>11,486,481</u>	<u>11,176,609</u>	<u>10,827,040</u>
Expenditures:				
Instruction	6,964,460	6,881,464	6,698,808	6,608,837
Support services	4,039,925	3,918,702	3,530,903	3,761,121
Noninstructional services	33,414	5,260	35,548	16,062
Debt service:				
Interest	-	-	-	11,976
Total Expenditures	<u>11,037,799</u>	<u>10,805,426</u>	<u>10,265,259</u>	<u>10,397,996</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>659,117</u>	<u>681,055</u>	<u>911,350</u>	<u>429,044</u>
Other Financing Sources (Uses):				
Bonds and notes issued	132,665	-	-	66,998
Insurance recovery	74,960	-	-	-
Operating transfers in	90,614	9,000	10,000	10,000
Operating transfers out	(170,676)	(172,690)	(150,296)	(242,303)
Total Other Financing Sources (Uses)	<u>127,563</u>	<u>(163,690)</u>	<u>(140,296)</u>	<u>(165,305)</u>
Net Change in Fund Balances	<u>786,680</u>	<u>517,365</u>	<u>771,054</u>	<u>263,739</u>
Fund Balances:				
Beginning of period, as previously reported	1,824,857	1,307,492	536,438	275,501
Prior period adjustments	-	-	-	(13,117)
Fund reclassifications	-	-	-	10,315
Beginning of period, as restated	<u>1,824,857</u>	<u>1,307,492</u>	<u>536,438</u>	<u>272,699</u>
End of Period	<u>\$ 2,611,537</u>	<u>1,824,857</u>	<u>1,307,492</u>	<u>536,438</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

Amory Separate School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 3,918,289	3,849,811	3,612,323	3,444,938
State sources	9,405,633	9,177,361	9,290,115	9,017,119
Federal sources	2,218,410	2,086,357	1,983,622	1,930,697
Sixteenth section sources	5,285	16,240	10,847	-
Total Revenues	15,547,617	15,129,769	14,896,907	14,392,754
Expenditures:				
Instruction	8,270,068	8,036,795	7,867,764	7,718,066
Support services	4,913,302	4,853,025	4,508,393	4,569,523
Noninstructional services	1,091,738	1,081,636	1,070,939	994,807
Debt service:				
Principal	880,847	1,346,586	744,731	663,590
Interest	145,554	167,893	209,333	298,009
Other	0	12,298	9,595	12,596
Total Expenditures	15,301,509	15,498,233	14,410,755	14,256,591
Excess (Deficiency) of Revenues over (under) Expenditures	246,108	(368,464)	486,152	136,163
Other Financing Sources (Uses):				
Bonds and notes issued	132,665	1,170,000		66,998
Insurance recoveries	74,960			
Operating transfers in	318,774	877,632	232,146	348,112
Operating transfers out	(318,774)	(877,632)	(232,146)	(348,112)
Total Other Financing Sources (Uses)	207,625	1,170,000	-	66,998
Net Change in Fund Balances	453,733	801,536	486,152	203,161
Fund Balances:				
Beginning of period, as previously reported	3,015,253	2,209,318	1,718,529	1,523,679
Prior period adjustments	-			(6,939)
Beginning of period, as restated	3,015,253	2,209,318	1,718,529	1,516,740
Increase (Decrease) in reserve for inventory	2,546	4,399	4,637	(1,372)
End of Period	\$ 3,471,532	3,015,253	2,209,318	1,718,529

*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
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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
Amory Separate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Amory Separate School District, as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the Amory Separate School District's basic financial statements, and have issued our report thereon dated November 30, 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 Amory Separate School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Okolona, Mississippi
November 30, 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
Amory Separate School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Our consideration of 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
November 30, 2018

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Amory Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Amory Separate School District as of and for the year ended June 30, 2018, which collectively comprise Amory Separate School District's basic financial statements and have issued our report thereon dated November 30, 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding

Under Section 25-11-127, MS Code Ann. (1972), before an entity hires an individual as an employee, the entity should verify if the prospective employee is a current retiree of the Public Employees' Retirement System (PERS) receiving retirement benefits. If the prospective employee is a PERS retiree, and the person is determined to be an employee, the entity should have filed with PERS the PERS Form 4B "Certification / Acknowledgement of Reemployment of Retiree" within five (5) days of employment. During the current school year, the school district rehired several employees receiving PERS benefits. In several instances, the PERS Form 4B was not filed within five (5) days of employment, and in one instance, the PERS Form 4B was not filed at all.

Recommendation

When hiring or rehiring employees that are current retirees of the Public Employees' Retirement System, the School District should file PERS Form 4B within five (5) days of employment.

Response

In the future, the School District will work diligently to get the PERS Form 4B filed in a timely manner.

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

The Amory Separate School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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
November 30, 2018

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AMORY SEPARATE 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: | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: left;"><u>CFDA Numbers</u></td> <td style="text-align: left;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>10.553, 10.555, 10.570</td> <td>Child nutrition cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.553, 10.555, 10.570 | Child nutrition cluster | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | |
| 10.553, 10.555, 10.570 | Child nutrition cluster | | | | | |
| 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 | | | | |

AMORY SEPARATE 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.