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EAST TALLAHATCHIE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2018

EAST TALLAHATCHIE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
East Tallahatchie 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 East Tallahatchie School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the East Tallahatchie School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 East Tallahatchie 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 7-15, 47-48, 49-50 and 51-52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019 on our consideration of the East Tallahatchie School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Tallahatchie 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 East Tallahatchie School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC
Belzoni, Mississippi

September 6, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2018 decreased \$1,556,545, including a prior period adjustment of (\$1,255,507), which represents a 15.84% decrease from fiscal year 2017. Total net position for 2017 decreased \$141,171, including a prior period adjustment of \$87,126 which represents a 1% decrease from fiscal year 2016.
- General revenues amounted to \$8,427,044 and \$8,517,632, or 76% and 76% 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 \$2,611,760, or 24% of total revenues for 2018, and \$2,755,008, or 24% of total revenues for 2017.
- The District had \$11,339,842 and \$11,500,937 in expenses for fiscal years 2018 and 2017; only \$2,611,760 for 2018 and \$2,755,008 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,427,044 for 2018 and \$8,517,632 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,164,550 in revenues and \$7,894,300 in expenditures for 2018, and \$8,107,791 in revenues and \$7,947,873 in expenditures in 2017. The General Fund's fund balance decreased by \$85,145 from 2017 to 2018, and increased by \$202,577, including a prior period adjustment of \$107,126, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$111,194 for 2018 and decreased by \$140,719 for 2017. The decrease for 2018 was due primarily to the capital additions net of the increase in accumulated depreciation.
- Long-term debt decreased by \$23,707 for 2018 and decreased by \$23,128 for 2017. This decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences had no change for 2018 and increased by \$9,426 for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over

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

time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

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

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

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 \$11,382,841 as of June 30, 2018.

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

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

**Table 1
Condensed Statement of Net Position**

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 2,710,198	\$ 2,920,601	-7.20 %
Restricted assets	1,074,567	948,694	13.27 %
Capital assets, net	2,255,817	2,367,011	-4.70 %
Total assets	6,040,582	6,236,306	-3.14 %
 Deferred outflows of resources	 1,677,498	 3,581,605	 -53.16 %
 Current liabilities	678,541	869,881	-22.00 %
Long-term debt outstanding	1,234,498	1,258,205	-1.88 %
Net OPEB liability	1,255,832	-	N/A %
Net pension liability	15,397,088	16,755,022	-8.10 %
Total liabilities	18,565,959	18,883,108	-1.68 %
 Deferred inflows of resources	 534,962	 761,099	 -29.71 %
 Net position:			
Net investment in capital assets	1,077,817	1,189,011	-9.35 %
Restricted	1,526,360	1,334,405	14.39 %
Unrestricted	(13,987,018)	(12,349,712)	-13.26 %
Total net position	\$ (11,382,841)	\$ (9,826,296)	-15.84 %

Additional information on unrestricted net position:

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

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

Total unrestricted net position (deficit)	\$ (13,987,018)
Less unrestricted deficit in net position resulting from recognition of the net pension and net OPEB liability, including the deferred outflows and deferred inflows related to pensions and OPEB	<u>15,510,384</u>
Unrestricted net position, exclusive of the net pension and net OPEB liability effect	<u><u>\$ 1,523,366</u></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 \$111,194.
- The principal retirement of \$23,707 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$1,255,832.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$11,038,804 and \$11,272,640, respectively. The total cost of all programs and services was \$11,339,842 for 2018 and \$11,500,937 for 2017.

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

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

Table 2
Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 205,171	\$ 291,350	(29.58) %
Operating grants and contributions	2,406,589	2,463,658	(2.32) %
General revenues:			
Property taxes	1,888,171	1,776,035	6.31 %
Grants and contributions not restricted	5,933,902	5,988,242	(0.91) %
Investment earnings	(5,852)	(4,968)	(17.79) %
Sixteenth section sources	280,741	442,559	(36.56) %
Other	330,082	315,764	4.53 %
Total revenues	11,038,804	11,272,640	(2.07) %
Expenses:			
Instruction	5,866,349	6,435,276	(8.84) %
Support services	3,356,963	3,003,087	11.78 %
Non-instructional	780,893	757,225	3.13 %
Sixteenth section	6,802	3,780	79.95 %
Pension expense	1,255,800	1,280,525	(1.93) %
OPEB expense	60,730	-	N/A %
Interest on long-term liabilities	12,305	21,044	(41.53) %
Total expenses	11,339,842	11,500,937	(1.40) %
Increase (Decrease) in net position	(301,038)	(228,297)	(31.86) %
Net Position, July 1, as previously reported	(9,826,296)	(9,685,125)	(1.46) %
Prior Period Adjustment	(1,255,507)	87,126	(1,541.02) %
Net Position, July 1, as restated	(11,081,803)	(9,597,999)	(15.46) %
Net Position, June 30	\$ (11,382,841)	\$ (9,826,296)	(15.84) %

Governmental activities

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, 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.

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 5,866,349	\$ 6,435,276	(8.84) %
Support services	3,356,963	3,003,087	11.78 %
Non-instructional	780,893	757,225	3.13 %
Sixteenth section	6,802	3,780	79.95 %
Pension Expense	1,255,800	1,280,525	(1.93) %
OPEB Expense	60,730	-	N/A %
Interest on long-term liabilities	12,305	21,044	(41.53) %
Total expenses	\$ 11,339,842	\$ 11,500,937	(1.40) %

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (4,700,519)	\$ (5,043,737)	(6.80) %
Support services	(2,670,083)	(2,400,212)	11.24 %
Non-instructional	(21,843)	3,369	(748.35) %
Sixteenth section	(6,802)	(3,780)	79.95 %
Pension Expense	(1,255,800)	(1,280,525)	(1.93) %
OPEB Expense	(60,730)	-	N/A %
Interest on long-term liabilities	(12,305)	(21,044)	(41.53) %
Total net (expense) revenue	\$ (8,728,082)	\$ (8,745,929)	(0.20) %

- Net cost of governmental activities (\$8,728,082) for 2018 and (\$8,745,929) for 2017 was financed by general revenue, which is primarily made up of property taxes (\$1,888,171 for 2018 and \$1,776,305 for 2017) and state and federal revenues (\$5,933,902 for 2018 and \$5,988,242 for 2017). In addition, there was \$280,741 and \$442,559 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to (\$5,852) for 2018 and (\$4,968), including a decrease in the fair market value of investments of \$10,285 for 2018 and \$6,338, for 2017.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,114,104, an increase of \$106,482, which includes a decrease in inventory of \$1,324. \$1,532,271 or 49% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not

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

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 \$1,581,833 or 51% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$85,145. The fund balance of Other Governmental Funds showed an increase in the amount of \$71,460, which includes a decrease in reserve for inventory of \$1,324, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
TELA Grant Fund	No increase or decrease
QSCB Bond Fund	\$ 120,167

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 East Tallahatchie School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and for 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 \$6,840,611, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$23,524 from 2017. Total accumulated depreciation as of June 30, 2018, was \$4,584,794, and total depreciation expense for the year was \$134,718, resulting in total net capital assets of \$2,255,817.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 58,456	\$ 58,456	0.00 %
Buildings	1,326,833	1,349,932	(1.71) %
Building improvements	307,314	326,374	(5.84) %
Improvements other than buildings	267,696	292,960	(8.62) %
Mobile equipment	242,131	290,926	(16.77) %
Furniture and equipment	53,387	48,363	10.39 %
Total	\$ 2,255,817	\$ 2,367,011	(4.70) %

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

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

Debt Administration. At June 30, 2018, the District had \$1,234,498 in outstanding long-term debt, of which none is due within one year. The liability for compensated had no change from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Qualified school construction bonds payable	\$ 1,178,000	\$ 1,178,000	0.00 %
Shortfall notes payable	-	23,707	(100.00) %
Compensated absences payable	56,498	56,498	0.00 %
Total	<u>\$ 1,234,498</u>	<u>\$ 1,258,205</u>	(1.88) %

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

CURRENT ISSUES

The East Tallahatchie 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 are 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 East Tallahatchie School District, 411 East Chestnut Street, Charleston, MS 38921.

FINANCIAL STATEMENTS

EAST TALLAHATCHIE SCHOOL DISTRICT

**Statement of Net Position
June 30, 2018**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,227,836
Due from other governments	466,539
Inventories	15,823
Restricted assets	1,074,567
Capital assets, non-depreciable:	
Land	58,456
Capital assets, net of accumulated depreciation:	
Buildings	1,326,833
Building improvements	307,314
Improvements other than buildings	267,696
Mobile equipment	242,131
Furniture and equipment	53,387
Total Assets	<u>6,040,582</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	1,623,960
Deferred outflows - OPEB	53,538
Total deferred outflows of resources	<u>1,677,498</u>
Liabilities	
Accounts payable and accrued liabilities	641,296
Unearned income	29,365
Interest payable on long-term liabilities	7,880
Long-term liabilities, due within one year:	
Net OPEB liability	53,538
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,178,000
Non-capital related liabilities	56,498
Net pension liability	15,397,088
Net OPEB liability	1,202,294
Total Liabilities	<u>18,565,959</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	461,881
Deferred inflows - OPEB	73,081
Total deferred inflows of resources	<u>534,962</u>
Net Position	
Net investment in capital assets	1,077,817
Restricted for:	
Expendable:	
School-based activities	361,498
Debt service	1,062,483
Forestry improvements	28,928
Unemployment benefits	63,538
Non-expendable:	
Sixteenth section principal	9,913
Unrestricted	(13,987,018)
Total Net Position	<u>\$ (11,382,841)</u>

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 5,866,349	\$ 148,230	\$ 1,017,600	\$ -	\$ (4,700,519)
Support services	3,356,963	-	686,880	-	(2,670,083)
Non-instructional	780,893	56,941	702,109	-	(21,843)
Sixteenth section	6,802	-	-	-	(6,802)
Pension expense	1,255,800	-	-	-	(1,255,800)
OPEB expense	60,730	-	-	-	(60,730)
Interest on long-term liabilities	12,305	-	-	-	(12,305)
Total Governmental Activities	<u>\$ 11,339,842</u>	<u>\$ 205,171</u>	<u>\$ 2,406,589</u>	<u>\$ -</u>	<u>\$ (8,728,082)</u>

General Revenues:

Taxes:

General purpose levies

1,744,210

Debt purpose levies

143,961

Unrestricted grants and contributions:

State

5,903,474

Federal

30,428

Unrestricted investment earnings

(5,852)

Sixteenth section

280,741

Other

330,082

Total General Revenues

8,427,044

Change in Net Position

(301,038)

Net Position - Beginning, as previously reported

(9,826,296)

Prior Period Adjustments

(1,255,507)

Net Position - Beginning, as restated

(11,081,803)

Net Position - Ending

\$ (11,382,841)

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2018

	Major Funds			Other	Total
	General	TELA Grant	QSCB Bond	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 1,739,247	\$ -	\$ 105,072	\$ 503,421	\$ 2,347,740
Investments	-	-	954,663	-	954,663
Due from other governments	67,140	139,812	2,814	251,487	461,253
Due from other funds	241,284	-	2,895	-	244,179
Inventories	-	-	-	15,823	15,823
Total assets	2,047,671	139,812	1,065,444	770,731	4,023,658
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 464,912	\$ 26,703	\$ -	\$ 149,681	\$ 641,296
Due to other funds	2,895	113,109	-	122,889	238,893
Unearned income	-	-	-	29,365	29,365
Total Liabilities	467,807	139,812	-	301,935	909,554
Nonspendable:					
Inventory	-	-	-	15,823	15,823
Permanent fund purposes	-	-	-	9,913	9,913
Restricted:					
Debt service	-	-	1,065,444	4,919	1,070,363
Forestry improvements	-	-	-	28,928	28,928
Grant activities	-	-	-	345,675	345,675
Unemployment benefits	-	-	-	63,538	63,538
Assigned:					
Activity funds	47,593	-	-	-	47,593
Unassigned	1,532,271	-	-	-	1,532,271
Total Fund Balances	1,579,864	-	1,065,444	468,796	3,114,104
Total Liabilities and Fund Balances	\$ 2,047,671	\$ 139,812	\$ 1,065,444	\$ 770,731	\$ 4,023,658

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

June 30, 2018

Total fund balances for governmental funds \$ 3,114,104

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	58,456	
Buildings	3,325,455	
Building improvements	476,488	
Improvements other than buildings	794,470	
Mobile equipment	1,703,341	
Furniture and equipment	482,401	
Accumulated depreciation	<u>(4,584,794)</u>	2,255,817

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	(15,397,088)	
Deferred outflow s and inflow s of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to pensions	1,623,960	
Deferred inflow s of resources related to pensions	<u>(461,881)</u>	(14,235,009)

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	(1,255,832)	
Deferred outflow s and inflow s of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflow s of resources related to OPEB	53,538	
Deferred inflow s of resources related to OPEB	<u>(73,081)</u>	(1,275,375)

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:

Qualified school constructions bonds payable	(1,178,000)	
Compensated absences	(56,498)	
Accrued interest payable	<u>(7,880)</u>	(1,242,378)

Net position of governmental activities **\$ (11,382,841)**

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds			Other	Total
	General	TELA Grant	QSCB Bond	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues:					
Local sources	\$ 1,912,031	\$ 320,045	\$ 132,209	\$ 62,049	\$ 2,426,334
State sources	5,961,734	-	-	218,800	6,180,534
Federal sources	10,041	-	-	2,149,918	2,159,959
Sixteenth section sources	280,744	-	-	-	280,744
Total Revenues	8,164,550	320,045	132,209	2,430,767	11,047,571
Expenditures:					
Instruction	4,919,852	320,045	-	1,243,182	6,483,079
Support services	2,967,646	-	-	634,501	3,602,147
Noninstructional services	-	-	-	802,630	802,630
Sixteenth section	6,802	-	-	-	6,802
Debt service:					
Principal	-	-	-	23,707	23,707
Interest	-	-	11,192	591	11,783
Other	-	-	850	-	850
Total Expenditures	7,894,300	320,045	12,042	2,704,611	10,930,998
Excess (Deficiency) of Revenues over (under) Expenditures	270,250	-	120,167	(273,844)	116,573
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	360,061	360,061
Other financing sources	4,666	-	-	-	4,666
Operating transfers out	(360,061)	-	-	-	(360,061)
Other financing uses	-	-	-	(13,433)	(13,433)
Total Other Financing Sources (Uses)	(355,395)	-	-	346,628	(8,767)
Net Change in Fund Balances	(85,145)	-	120,167	72,784	107,806
Fund Balances:					
July 1, 2017	1,665,009	-	945,277	397,336	3,007,622
Decrease in reserve for inventory	-	-	-	(1,324)	(1,324)
June 30, 2018	\$ 1,579,864	\$ -	\$ 1,065,444	\$ 468,796	\$ 3,114,104

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

EAST TALLAHATCHIE 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	\$	107,806
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	\$	10,848
Depreciation expense		(134,718)
		(123,870)
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 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:		
Payments of debt principal		23,707
Accrued interest payable		328
		24,035
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/expenditures in the governmental funds. These activities include:		
Pension expense		(1,255,800)
Contributions subsequent to the measurement date		955,307
		(300,493)
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/expenditures in the governmental funds. These activities include:		
OPEB expense		(60,730)
Contributions subsequent to the measurement date		53,538
		(7,192)
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 inventory reserve		(1,324)
		(1,324)
Change in net position of governmental activities	\$	<u>(301,038)</u>

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2018

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 20,000	\$ 40,550
Total Assets	<u>20,000</u>	<u><u>40,550</u></u>
Liabilities		
Accounts payable and accrued liabilities	-	\$ 30
Due to other funds	-	5,286
Due to student clubs	-	35,234
Total Liabilities	<u>-</u>	<u><u>40,550</u></u>
Net Position		
Reserved for endowments	20,000	
Total Net Position	<u><u>\$ 20,000</u></u>	

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest earned	\$ -
Total Additions	-
Deductions	
Transfers out	50
Total Deductions	50
Change in Net Position	(50)
Net Position	
July 1, 2017	20,050
June 30, 2018	\$ 20,000

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the East Tallahatchie 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 East Tallahatchie School District's accounting policies are described below.

A. Financial Reporting Entity

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

For financial reporting purposes, East Tallahatchie 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. Property taxes and other items not included among program revenues are reported instead as general revenues.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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 East Tallahatchie School District reports the following major governmental funds:

General Fund - This is the East Tallahatchie 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.

TELA Grant Fund - This is a special revenue fund that accounts for revenue received to reimburse the district for the Pre-K teachers and assistant's salaries and related expenditures incurred for the Tallahatchie Early Learning Alliance.

QSCB Debt Service Fund – This fund accounts the sinking fund activities of the qualified school construction bonds.

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

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Additionally, the East Tallahatchie School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district reports \$1,623,960 of deferred outflows related to its pension plan and \$53,538 related to its OPEB plan.

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 district reports \$461,881 of deferred inflows related to its pension plan and \$73,081 related to its OPEB plan.

See Notes 7, 8 and 14 for further details.

8. Compensated Absences

Employees of the East Tallahatchie School District accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by East Tallahatchie 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 East Tallahatchie School District policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. 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 vote by the board to commit funds. Currently there is no committed fund balance of 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 management pursuant to authorization established by school board.

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.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the East Tallahatchie School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,347,740 and \$60,550, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasuries, State & Local Governments	AA+	1 to 5 years	\$ 954,663
Total			<u>\$ 954,663</u>

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

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

- U.S. Treasury, State and Local Government type of investments of \$954,663 are valued using quoted market prices (Level 1 inputs)

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

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

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

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

Issuer	Fair Value	% of Total Investments
U.S. Treasuries, State and Local Governments	\$ 954,663	100%

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	TELA grant fund	\$ 113,109
	Other governmental funds	122,889
	Fiduciary funds	5,286
QSCB debt service fund	General fund	2,895
Total		<u>\$ 244,179</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 360,061
Total		<u>\$ 360,061</u>

The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

Note 4 – Restricted Assets

The restricted assets represent the investment balance, totaling \$9,913, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash and investments, totaling \$105,072 and \$954,663, respectively, of the QSCB debt service fund. Restricted assets also includes \$4,919 of cash in other debt service funds that is restricted for future debt service requirements.

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements
For 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	Adjustments	Balance 6/30/2018
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 58,456	\$ -	\$ -	\$ 58,456
Total non-depreciable capital assets	58,456	-	-	58,456
<u>Depreciable capital assets:</u>				
Buildings	3,325,455	-	-	3,325,455
Building improvements	476,488	-	-	476,488
Improvements other than buildings	794,470	-	-	794,470
Mobile equipment	1,703,341	-	-	1,703,341
Furniture and equipment	458,877	10,848	12,676	482,401
Total depreciable capital assets	6,758,631	10,848	12,676	6,782,155
<u>Less accumulated depreciation for:</u>				
Buildings	1,975,523	23,099	-	1,998,622
Building improvements	150,114	19,060	-	169,174
Improvements other than buildings	501,510	25,264	-	526,774
Mobile equipment	1,412,415	48,795	-	1,461,210
Furniture and equipment	410,514	18,500	-	429,014
Total accumulated depreciation	4,450,076	134,718	-	4,584,794
Total depreciable capital assets, net	2,308,555	(123,870)	12,676	2,197,361
Governmental activities capital assets, net	\$ 2,367,011	\$ (123,870)	\$ 12,676	\$ 2,255,817

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 94,302
Support services	26,944
Non-instructional	13,472
Total depreciation expense - Governmental activities	\$ 134,718

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements For 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:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. Qualified school construction bonds payable	\$ 1,178,000	\$ -	\$ -	\$ 1,178,000	-
B. Shortfall notes payable	23,707	-	(23,707)	-	-
C. Compensated absences payable	56,498	-	-	56,498	-
Total	\$ 1,258,205	\$ -	(23,707)	\$ 1,234,498	-

A. Qualified school construction bonds payable

As more fully explained in Note 13, 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	0.95%	11/6/2009	11/6/2019	<u>\$ 1,178,000</u>	<u>\$ 1,178,000</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 11,191	\$ 11,191
2020	1,178,000	11,191	1,189,191
Total	<u>\$ 1,178,000</u>	<u>\$ 22,382</u>	<u>\$ 1,200,382</u>

This debt will be retired from the QSCB Debt Service Fund.

B. Shortfall notes payable

This debt was retired during the year.

C. 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.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the East Tallahatchie 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 East Tallahatchie School District's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$955,307, \$935,835 and \$945,083, 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 East Tallahatchie School District reported a liability of \$15,397,088 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 East Tallahatchie School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The East Tallahatchie School District's proportionate share used to calculate the June 30, 2018 net pension liability was .092623 percent,

EAST TALLAHATCHIE SCHOOL DISTRICT

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

which was based on a measurement date of June 30, 2017. This was a decrease of .001177 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,255,800. 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	\$ 223,869	\$ 112,348
Net difference between projected and actual earnings on pension plan investments	-	169,431
Changes of assumptions	345,538	26,570
Changes in proportion and differences between District contributions and proportionate share of contributions	99,246	153,532
District contributions subsequent to the measurement date	955,307	-
Total	\$ 1,623,960	\$ 461,881

\$955,307 reported as deferred outflows of resources related to pensions resulting from East Tallahatchie 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	\$ 320,144
2020	189,506
2021	(5,466)
2022	(297,412)
Total	\$ 206,772

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 20,194,306	\$ 15,397,088	\$ 11,414,351

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$53,538 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$1,255,832 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 .16005831 percent. This was a decrease of .0013 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 \$60,730. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

EAST TALLAHATCHIE SCHOOL DISTRICT

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes of assumptions	-	63,946
Changes in proportion and differences between District contributions and proportionate share of contributions	-	9,135
District contributions subsequent to the measurement date	53,538	-
Total	\$ 53,538	\$ 73,081

\$53,538 reported as deferred outflows of resources related to OPEB resulting from East Tallahatchie School District contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (12,822)
2020	(12,822)
2021	(12,822)
2022	(12,822)
2023	(12,822)
Thereafter	(8,971)
Total	\$ (73,081)

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	

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

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

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

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

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

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

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

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

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	\$ 1,288,998	\$ 1,255,832	\$ 1,231,133

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,159,845	\$ 1,255,832	\$ 1,365,411

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 74 and 75:	
Net OPEB liability (measurement date)	\$ (1,317,597)
Deferred outflows - contributions made during fiscal year 2017	49,414
Total prior period adjustment related to GASB 74 and 75	<u>(1,268,183)</u>
2. To adjust capital assets to subsidiary	12,676
Total prior period adjustments	<u>\$ (1,255,507)</u>

Note 10– Contingencies

Federal Grants – The East Tallahatchie 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 East Tallahatchie School District.

Litigation – The East Tallahatchie 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 East Tallahatchie School District with respect to the various proceedings. However, the East Tallahatchie 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 East Tallahatchie School District.

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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 – 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	\$ 221,220
2020	209,765
2021	180,580
Total	<u>\$ 611,565</u>

Note 13 – 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. The school district did not receive any QSCB subsidy interest payments during the fiscal year.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2018 was \$954,663. In addition, the district reports \$105,072 in cash that will be used to make future sinking fund deposits. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Year Ending June 30		Amount
2019	\$	117,800
2020		117,800
Total	\$	<u>235,600</u>

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(13,987,018) includes the effect of deferring the recognition of expenses resulting from a deferred outflow of pensions. A portion of the deferred outflow of resources related to pension in the amount of \$955,307 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$668,653 balance of deferred outflow of resources at June 30, 2018 will be recognized as an expense and decrease the unrestricted net position over the next 3 years. A portion of the deferred outflows of resources related to OPEB in the amount of \$53,538 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

The unrestricted net position amount of \$(13,987,018) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions and OPEB. The \$461,881 balance of the deferred inflow of resources from pensions at June 30, 2018 will be recognized as revenue and increase unrestricted net position over the next 4 years. The \$73,081 balance of the deferred inflow of resources from OPEB at June 30, 2018 will be recognized as revenue and increase unrestricted net position over the next 6 years.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the East Tallahatchie School District evaluated the activity of the district through September 6, 2019 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST TALLAHATCHIE 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	\$ 1,923,295	\$ 1,923,295	\$ 1,912,031	\$ -	(11,264)
State sources	5,916,649	5,916,649	5,961,734	-	45,085
Federal sources	9,400	9,400	10,041	-	641
Sixteenth sources	464,338	464,338	280,744	-	(183,594)
Total Revenues	8,313,682	8,313,682	8,164,550	-	(149,132)
Expenditures:					
Instruction	5,151,423	5,155,923	4,919,852	(4,500)	236,071
Support services	3,085,902	3,085,902	2,967,646	-	118,256
Noninstructional services	100	100	-	-	100
Sixteenth section	10,000	10,000	6,802	-	3,198
Total Expenditures	8,247,425	8,251,925	7,894,300	(4,500)	357,625
Excess (Deficiency) of Revenues over (under) Expenditures	66,257	61,757	270,250	(4,500)	208,493
Other Financing Sources (Uses):					
Operating transfers in	1,090,163	1,090,163	-	-	(1,090,163)
Other financing sources	2,500	2,500	4,666	-	2,166
Operating transfers out	(1,372,250)	(1,372,250)	(360,061)	-	1,012,189
Total Other Financing Sources (Uses)	(279,587)	(279,587)	(355,395)	-	(75,808)
Net Change in Fund Balances	(213,330)	(217,830)	(85,145)	(4,500)	132,685
July 1, 2017	1,665,009	1,665,009	1,665,009	-	-
June 30, 2018	\$ 1,451,679	\$ 1,447,179	\$ 1,579,864	\$ (4,500)	\$ 132,685

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

TELA Grant 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	\$ 318,000	\$ 318,000	\$ 320,045	\$ -	\$ 2,045
Total Revenues	318,000	318,000	320,045	-	2,045
Expenditures:					
Instruction	76,034	76,034	320,045	-	(244,011)
Total Expenditures	76,034	76,034	320,045	-	(244,011)
Excess (Deficiency) of Revenues over (under) Expenditures	241,966	241,966	-	-	(241,966)
Net Change in Fund Balances	241,966	241,966	-	-	(241,966)
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ 241,966	\$ 241,966	\$ -	\$ -	\$ (241,966)

EAST TALLAHATCHIE 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	0.092623%	0.093800%	0.093564%	0.090000%
District's proportionate share of the net pension liability	\$ 15,397,088	16,755,022	14,463,150	10,924,353
District's covered payroll	5,941,810	6,000,527	5,845,359	5,486,019
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.23%	247.43%	199.13%
Plan fiduciary net position as a percentage of the total pension liability	61.490%	57.468%	61.704%	67.208%

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

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

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

EAST TALLAHATCHIE 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	\$ 955,307	935,835	945,083	920,644
Contributions in relation to the contractually required contribution	\$ 955,307	935,835	945,083	920,644
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 6,065,441	5,941,810	6,000,527	5,845,359
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

EAST TALLAHATCHIE SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

OPEB

Last 10 Fiscal Years*

	<u>2018</u>
District's proportion of the net OPEB liability	0.16005831%
District's proportionate share of the net OPEB liability	\$ 1,255,832
District's covered-employee payroll	\$ 5,941,810
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	21.136%
Plan fiduciary net position as a percentage of the total OPEB liability	0.0000%

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.

EAST TALLAHATCHIE SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS
OPEB
Last 10 Fiscal Years

	<u>2018</u>
Contractually required contribution	\$ 53,538
Contributions in relation to the contractually required contribution	\$ 53,538
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 6,065,441
Contributions as a percentage of covered-employee payroll	0.8827%

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

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

Notes to Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *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:

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	

Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

EAST TALLAHATCHIE 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	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 190,962
National school lunch program	10.555	185MS326N1099	540,942
Total child nutrition cluster			731,904
Total passed-through Mississippi Department of Education			731,904
Total U.S. Department of Agriculture			731,904
<u>U.S. Department of Interior</u>			
Direct Program:			
Payment in lieu of taxes	15.226	N/A	7,698
Total U.S. Department of Interior			7,698
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024	871,282
Rural education	84.358	ES358B170024	20,118
Career and technical education - basic grants to states	84.048	V048A170024	20,391
Safe and drug free schools	84.186	ES424A170025	10,096
Homeless children and youth	84.196	ES196A170025	16,219
Improving teacher quality-State Grants	84.367	ES367A170023	106,468
Subtotal			1,044,574
Special education cluster:			
Special education - grants to states	84.027	H027A170108	343,885
Special education - preschool grants	84.173	H173A170113	9,168
Total special education cluster			353,053
Total U.S. Department of Education			1,397,627
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	22,730
Total passed-through Mississippi Department of Education			22,730
Total U.S. Department of Health and Human Services			22,730
 Total for All Federal Awards			 \$ 2,159,959

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the 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 East Tallahatchie 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 East Tallahatchie School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the East Tallahatchie 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 East Tallahatchie School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Noncash Awards

Donated commodities of \$51,087 are included in the National School Lunch Program.

EAST TALLAHATCHIE SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2018

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 8,410,292	6,544,311	502,990	505,734	857,257
Other	2,520,706	793,481	138,151	14,950	1,574,124
Total	<u>\$ 10,930,998</u>	<u>7,337,792</u>	<u>641,141</u>	<u>520,684</u>	<u>2,431,381</u>
Total number of students *	<u>1,053</u>				
Cost per student	<u>\$ 10,381</u>	<u>6,969</u>	<u>609</u>	<u>494</u>	<u>2,309</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

OTHER INFORMATION

EAST TALLAHATCHIE 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	\$ 1,912,031	\$ 1,846,873	\$ 1,738,243	\$ 1,549,644
State sources	5,961,734	5,810,501	5,912,433	5,897,281
Federal sources	10,041	8,430	12,427	73,484
Sixteenth section sources	280,744	441,987	459,409	417,140
Total Revenues	8,164,550	8,107,791	8,122,512	7,937,549
Expenditures:				
Instruction	4,919,852	5,448,283	5,174,519	5,053,269
Support services	2,967,646	2,495,810	2,915,197	2,932,382
Noninstructional services	-	-	-	3,062
Sixteenth section	6,802	3,780	4,641	10
Total Expenditures	7,894,300	7,947,873	8,094,357	7,988,723
Excess (Deficiency) of Revenues over (under) Expenditures	270,250	159,918	28,155	(51,174)
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	69,399
Sale of other property	-	103	-	-
Operating transfers in	-	-	-	254
Other financing sources	4,666	-	-	-
Operating transfers out	(360,061)	(22,158)	(3,201)	(208,277)
Other financing uses	-	(42,412)	-	-
Total Other Financing Sources (Uses)	(355,395)	(64,467)	(3,201)	(138,624)
Net Change in Fund Balances	(85,145)	95,451	24,954	(189,798)
Fund Balances:				
Beginning of period, as previously reported	1,665,009	1,462,432	1,437,478	1,235,163
Prior period adjustments	-	107,126	-	32,711
Fund reclassification	-	-	-	359,402
Beginning of period, as restated	1,665,009	1,569,558	1,437,478	1,627,276
End of Period	\$ 1,579,864	\$ 1,665,009	\$ 1,462,432	\$ 1,437,478

*SOURCE - PRIOR YEAR AUDIT REPORTS

EAST TALLAHATCHIE 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	\$ 2,426,334	\$ 2,411,273	\$ 1,992,671	\$ 1,743,554
State sources	6,180,534	6,264,912	6,796,178	6,227,944
Federal sources	2,159,959	2,186,986	1,798,974	1,997,778
Sixteenth section sources	280,744	451,881	470,906	417,140
Total Revenues	11,047,571	11,315,052	11,058,729	10,386,416
Expenditures:				
Instruction	6,483,079	7,054,040	6,617,394	6,205,301
Support services	3,602,147	3,151,858	3,310,603	3,459,404
Noninstructional services	802,630	777,864	754,505	771,661
Sixteenth section	6,802	3,780	10,686	4,375
Debt service:				
Principal	23,707	23,128	22,564	-
Interest	11,783	12,362	12,926	11,191
Other	850	850	-	850
Total Expenditures	10,930,998	11,023,882	10,728,678	10,452,782
Excess (Deficiency) of Revenues over (under) Expenditures	116,573	291,170	330,051	(66,366)
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	69,399
Sale of other property	-	103	-	-
Payment to QSCB escrow agent	-	-	117,800	-
Payment to QSCB debt escrow agent	-	-	(117,800)	-
Operating transfers in	360,061	26,565	55,744	269,178
Other financing sources	4,666	-	-	-
Operating transfers out	(360,061)	(26,565)	(55,744)	(269,128)
Other financing uses	(13,433)	(42,412)	-	-
Total Other Financing Sources (Uses)	(8,767)	(42,309)	-	69,449
Net Change in Fund Balances	107,806	248,861	330,051	3,083
Fund Balances:				
Beginning of period, as previously reported	3,007,622	2,669,254	2,347,889	2,298,935
Prior period adjustments	-	87,126	-	32,711
Beginning of period, as restated	3,007,622	2,756,380	2,347,889	2,331,646
Increase (Decrease) in reserve for inventory	(1,324)	2,381	(8,686)	13,160
End of Period	\$ 3,114,104	\$ 3,007,622	\$ 2,669,254	\$ 2,347,889

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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

Superintendent and School Board
East Tallahatchie School District
Charleston, Mississippi

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 the East Tallahatchie School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the East Tallahatchie School District's basic financial statements, and have issued our report thereon dated September 6, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. [Finding 2018-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Tallahatchie 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*.

However, we did note certain instances of noncompliance with state laws and regulations that we reported to management of the school district in a separate letter dated September 6, 2019, which is included in this report.

The East Tallahatchie School District's responses to the findings identified in our audit are described in the accompanying Auditee Corrective Action Plan. We did not audit East Tallahatchie School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

September 6, 2019

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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

Superintendent and School Board
East Tallahatchie School District
Charleston, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the East Tallahatchie 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 East Tallahatchie School District's major federal programs for the year ended June 30, 2018. East Tallahatchie School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the East Tallahatchie 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 East Tallahatchie School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the East Tallahatchie 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

The East Tallahatchie School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. East Tallahatchie School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the East Tallahatchie 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 East Tallahatchie 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 East Tallahatchie School District's internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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

East Tallahatchie School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. East Tallahatchie School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

September 6, 2019

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

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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

Superintendent and School Board
East Tallahatchie School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2018, which collectively comprise East Tallahatchie School District's basic financial statements and have issued our report thereon dated September 6, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations:

Findings

During our testing of compliance with state laws and regulations, we noted the following instances of noncompliance:

- District could not provide evidence that depository bids were taken for fiscal year 2018.
- During our testing of invoices, the District could not provide evidence that a required, second quote was received for the purchase of smartboards in the amount of \$21,071.94.
- District was unable to provide evidence that its deposits are collateralized by the financial institution as required by law.
- District was unable to provide the ad valorem request worksheet or related calculations for potential escrow or shortfall.
- District could not provide evidence that the final amended budget was adopted by the school board by October 15, 2018.
- District was unable to locate PERS Form 4B for testing of the limitations related to hiring retired individuals.
- District was unable to locate the minutes of board meetings held during fiscal year 2018.

Recommendation:

We recommend that the District familiarize itself with all state laws and regulations and put procedures in place to ensure compliance with those laws and regulations.

School District's Response:

The District will put procedures in place and or continue to monitor existing policies to help ensure compliance with state laws and regulations.

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

The East Tallahatchie 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.



Cunningham CPAs, PLLC

Belzoni, Mississippi

September 6, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | 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? | Yes |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

Child Nutrition Cluster:

10.553	School Breakfast Program
10.555	National School Lunch Program

Special Education Cluster:

84.027	IDEA Part B
84.173	Preschool Grants

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

EAST TALLAHATCHIE 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 disclosed the following finding related to the financial statements that is required to be reported under *Government Auditing Standards*:

Material Weakness:

Finding 2018-001:

CRITERIA: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

CONDITION:

- (1) We noted bank reconciliations were not being performed timely, if at all. The District had to bring in an outside consultant to get the bank accounts reconciled and books closed for the year. Failure to prepare accurate and timely bank reconciliations could lead to misappropriation of assets that go undetected by management.
- (2) The district was unable to locate five invoices selected in our sample for testing, which points to a general weakness in internal controls as it relates to the purchasing function.
- (3) During our testing of payroll, the district was unable to locate two teacher employment contracts.
- (4) The district was unable to provide evidence that any physical inventory of fixed assets was performed during fiscal year 2018.
- (5) The district was unable to provide a calculation for its liability related to compensated absences.

CAUSE OF CONDITION: The cause is a result of not properly implementing the designed system of accounting controls and by not putting qualified, experienced personnel in charge of the finances of the District.

EFFECT OF CONDITION: The effect of this condition could result in the financial statements being materially misstated and an increased the risk of misappropriation of assets.

RECOMMENDATION: It is recommended that the district implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards:

Material Noncompliance

2018-002 Finding (Repeat of 2017-001)

Program: Improving Teacher Quality CFDA # 84.367

Compliance Requirement: Cash Management

CRITERIA: Management is responsible for ensuring that draw downs of federal funds are only for immediate needs of the district.

CONDITION: The district's records indicated excess fund balances in the Title II fund during the year due to the district requesting funds in excess of its immediate needs. At June 30, 2018, the district had \$29,365 in unearned revenue as a result of these cash advances.

CAUSE OF CONDITION: The cause is due to the district not using actual expenditures to make its request for reimbursement.

EFFECT OF CONDITION: Requesting funds in excess of the district's immediate needs could jeopardize future funding for this program.

RECOMMENDATION: We recommend the district implement policies and procedures to ensure compliance with the cash management requirement for federal program funds, which requires the district to request funds in a manner that will minimize the amount of time the federal funds will be held by the district prior to disbursement.

Internal control deficiencies considered to be a material weakness

2018-003 Finding

Program: Special Education Cluster CDFAs# 84.027 and 84.173

CRITERIA: The internal control policies of the District require each purchase using federal funds to be approved by the director of the program.

CONDITION: During our testing of expenditures charged to the special education program, we could not find evidence that the payment was approved and signed off on by the special education director.

CAUSE OF CONDITION: The cause is due to the district not following established internal control policies related to compliance with federal awards.

EFFECT OF CONDITION: Lack of proper authorization could lead to noncompliance with the allowable costs and allowable activities compliance requirements.

RECOMMENDATION: We recommend the district implement policies and procedures to ensure compliance with the allowable activities and costs requirements by having the program director approve all purchases as evidenced by his or her signature on the paid invoice.

East Tallahatchie School District

411 East Chestnut Street
Charleston, MS 38921
Telephone: 662-647-5524
Fax: 662-647-3720

AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

As required by 2 CFR 200.516(a), the East Tallahatchie School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2018:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2018-001	<ul style="list-style-type: none">a. Person Responsible for Corrective Action: Dr. Darron Edwards, Superintendentb. Corrective Action Planned: Management will implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.c. Anticipated Completion Date: Immediately.
2018-002	<ul style="list-style-type: none">a. Person Responsible for Corrective Action: Dr. Darron Edwards, Superintendentb. Corrective Action Planned: The East Tallahatchie School District will put procedures in place to ensure that cash draws of federal funds are for immediate needs only.c. Anticipated Completion Date: Immediately.
2018-003	<ul style="list-style-type: none">a. Person Responsible for Corrective Action: Dr. Darron Edwards, Superintendentb. Corrective Action Planned: The East Tallahatchie School District will put procedures in place to ensure that internal control policies related to federal awards are followed as designed.c. Anticipated Completion Date: Immediately.

As required by 2 CFR 200.516(a), the East Tallahatchie School District has prepared and hereby submits the following Summary of Prior Federal Audit Findings for the year ended June 30, 2018:

Finding 2017-001 – CDFA # 84.367 – Cash Management - Repeated as finding 2018-002.