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Certified Public Accountants & Financial Advisors
Independent Member of BKR International



Communication with Those Charged with Governance at the Conclusion of the Audit

December 9, 2015

To the Chairman and Members of the
Shelby County Board of Education

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general and special revenue – categorically aided fund of the Shelby County Board of Education for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 20, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Shelby County Board of Education are described in Note 1 to the financial statements. As described in Note 16 to the financial statements, Shelby County Board of Education changed accounting policies related to pensions by adopting Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, in 2015. We noted no transactions entered into by Shelby County Board of Education during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Shelby County Board of Education’s financial statements was:

Management's estimates of the net pension liability, related deferred outflows and deferred inflows of the pension plans and post-employment obligations are based on actuarial assumptions. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the pension plans and post-employment benefit obligations in Note 7 and Note 14 to the financial statements; due to significant estimations based on actuarial studies.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a

consultation involves application of an accounting principle to Shelby County Board of Education's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Shelby County Board of Education's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We communicated a significant deficiency and several control deficiencies in internal control in a separate letter dated December 9, 2015.

Other Matters

We applied certain limited procedures to Shelby County Board of Education's management discussion and analysis, the other post-employment benefits schedule of funding progress and schedule of employer contributions, and the Tennessee Consolidated Retirement System schedule of changes in net pension liability and schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal and state awards and the combining and individual fund statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the statistical or introductory sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the chairman, members of the board, and management of Shelby County Board of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Watkins Uiberall, PLLC Banks, Jolley, White & Co.

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