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EAST JASPER SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2015



EAST JASPER SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
East Jasper 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 Jasper School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the East Jasper 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 Jasper School District, as of June 30, 2015, 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.

POST OFFICE BOX 102  
BRANDON, MISSISSIPPI 39043  
PHONE: 601-938-5717

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions on pages 7-14, 53-54, 55 and 57, 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*

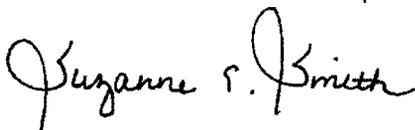
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Jasper School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 March 22, 2016, on our consideration of the East Jasper School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Jasper School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
March 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of East Jasper School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$9,792,591, including a prior period adjustment of (\$10,381,417), which represents a 114.7% decrease from fiscal year 2014. Total net position for 2014 increased \$240,733, including a prior period adjustment of \$196,778, which represents a 2.9% increase from fiscal year 2013.
- General revenues amounted to \$9,228,323 and \$9,110,536, or 80% and 82% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,284,684, or 20% of total revenues for 2015, and \$2,032,219, or 18% of total revenues for 2014.
- The District had \$10,924,181 and \$11,098,800 in expenses for fiscal years 2015 and 2014; only \$2,284,684 for 2015 and \$2,032,219 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,228,323 for 2015 and \$9,110,536 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,888,724 in revenues and \$7,774,594 in expenditures for 2015, and \$7,243,610 in revenues and \$8,092,100 in expenditures in 2014. The General Fund's fund balance increased by \$287,775, including a prior period adjustment of \$270,612, from 2014 to 2015, and decreased by \$461,184 from 2013 to 2014, including a prior period adjustment of (\$27,364).
- Capital assets, net of accumulated depreciation, decreased by \$632,802 for 2015 and increased by \$66,907 for 2014. The decrease for 2015 was primarily due to the increase in accumulated depreciation of \$624,564.
- Long-term debt, including the liability for compensated absences, decreased by \$686,065 for 2015 and decreased by \$787,528 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$5,282 for 2015 and increased by \$3,097 for 2014.

### 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 and liabilities,

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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 and interest on long-term liabilities.

### **Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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 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. This report presents a schedule of the district's proportionate share of the net pension liability and a schedule of district contribution as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,256,505 as of June 30, 2015.

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

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

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 3,613,379	\$ 3,405,529	6.10 %
Restricted assets	3,732,620	3,500,732	6.62 %
Capital assets, net	13,039,799	13,672,601	(4.63) %
<b>Total assets</b>	<b>20,385,798</b>	<b>20,578,862</b>	<b>(0.94) %</b>
<b>Deferred outflows of resources</b>	<b>1,005,627</b>	<b>-</b>	<b>N/A %</b>
Current liabilities	385,061	414,202	(7.04) %
Long-term debt outstanding	10,942,509	11,628,574	(5.90) %
Net pension liability	9,887,146	-	N/A %
<b>Total liabilities</b>	<b>21,214,716</b>	<b>12,042,776</b>	<b>76.16 %</b>
<b>Deferred inflows of resources</b>	<b>1,433,214</b>	<b>-</b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	2,203,799	2,212,252	(0.38) %
Restricted	5,501,101	5,016,471	9.66 %
Unrestricted	(8,961,405)	1,307,363	(785.46) %
<b>Total net position</b>	<b>\$ (1,256,505)</b>	<b>\$ 8,536,086</b>	<b>(114.72) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (8,961,405)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	10,314,733
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,353,328</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 \$632,802.
- The principal retirement of \$680,783 of long-term debt.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

- The recognition of a net pension liability of \$9,887,146 in accordance with new standards (GASB Statement No. 68).

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$11,513,007 and \$11,142,755, respectively. The total cost of all programs and services was \$10,924,181 for 2015 and \$11,098,800 for 2014. Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2  
Changes in Net Position**

	<b>Year Ended June 30, 2015</b>	<b>Year Ended June 30, 2014</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 224,579	\$ 279,210	(19.57) %
Operating grants and contributions	2,060,105	1,753,009	17.52 %
General revenues:			
Property taxes	4,289,287	4,069,719	5.40 %
Grants and contributions not restricted	4,494,710	4,117,114	9.17 %
Investment earnings	30,792	17,879	72.22 %
Sixteenth section sources	139,688	396,934	(64.81) %
Other	273,846	508,890	(46.19) %
<b>Total revenues</b>	<b>11,513,007</b>	<b>11,142,755</b>	<b>3.32 %</b>
<b>Expenses:</b>			
Instruction	4,108,918	4,673,978	(12.09) %
Support services	4,816,351	5,153,049	(6.53) %
Non-instructional	664,676	682,221	(2.57) %
Sixteenth section	90,860	119,674	(24.08) %
Pension expense	685,721	-	N/A
Interest on long-term liabilities	557,655	469,878	18.68 %
<b>Total expenses</b>	<b>10,924,181</b>	<b>11,098,800</b>	<b>(1.57) %</b>
<b>Increase (Decrease) in net position</b>	<b>588,826</b>	<b>43,955</b>	<b>1,239.61 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>8,536,086</b>	<b>8,295,353</b>	<b>2.90 %</b>
<b>Prior Period Adjustment</b>	<b>(10,381,417)</b>	<b>196,778</b>	<b>(5,375.70) %</b>
<b>Net Position, July 1, as restated</b>	<b>(1,845,331)</b>	<b>8,492,131</b>	<b>(121.73) %</b>
<b>Net Position, June 30</b>	<b>\$ (1,256,505)</b>	<b>\$ 8,536,086</b>	<b>(114.72) %</b>

**Governmental activities**

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ 4,108,918	\$ 4,673,978	(12.09) %
Support services	4,816,351	5,153,049	(6.53) %
Non-instructional	664,676	682,221	(2.57) %
Sixteenth section	90,860	119,674	(24.08) %
Pension Expense	685,721	-	N/A %
Interest on long-term liabilities	557,655	469,878	18.68 %
<b>Total expenses</b>	<b>\$ 10,924,181</b>	<b>\$ 11,098,800</b>	<b>(1.57) %</b>
	<b>Net (Expense) Revenue</b>		
	<b>2015</b>	<b>2014</b>	<b>Percentage Change</b>
Instruction	\$ (3,412,966)	\$ (3,981,893)	(14.29) %
Support services	(4,097,790)	(4,668,808)	(12.23) %
Non-instructional	97,804	86,676	12.84 %
Sixteenth section	(90,860)	(77,879)	16.67 %
Pension Expense	(685,721)	-	N/A %
Interest on long-term liabilities	(449,964)	(424,677)	5.95 %
<b>Total net (expense) revenue</b>	<b>\$ (8,639,497)</b>	<b>\$ (9,066,581)</b>	<b>(4.71) %</b>

- Net cost of governmental activities [(\$8,639,497) for 2015 and (\$9,066,581) for 2014] was financed by general revenue, which is primarily made up of property taxes (\$4,289,287 for 2015 and \$4,069,719 for 2014) and state and federal revenues (\$4,494,710 for 2015 and \$4,117,114 for 2014). In addition, there was \$139,688 and \$396,934 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$30,792 for 2015 and \$17,879 for 2014.

## 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 \$7,071,595, an increase of \$461,301, which includes a prior period adjustment of \$12,520 and a decrease in inventory of \$4,636. \$826,287 or 12% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

\$6,245,308 or 88% 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 increase in fund balance in the General Fund for the fiscal year was \$287,775, which includes a prior period adjustment of \$270,612. The fund balance of Other Governmental Funds showed an increase in the amount of \$83,855 which includes a prior period adjustment of (\$258,092) and a decrease in reserve for inventory of \$4,636. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Principal Fund	\$ 89,671

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$19,281,877, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$16,534 from 2014. Total accumulated depreciation as of June 30, 2015, was \$6,242,078, and total depreciation expense for the year was \$624,564, resulting in total net capital assets of \$13,039,799.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 1,500	\$ 1,500	0.00 %
Buildings	10,563,046	10,912,941	(3.21) %
Building improvements	1,493,293	1,560,198	(4.29) %
Improvements other than buildings	232,535	247,270	(5.96) %
Mobile equipment	537,907	593,303	(9.34) %
Furniture and equipment	211,518	357,389	(40.82) %
<b>Total</b>	<b>\$ 13,039,799</b>	<b>\$ 13,672,601</b>	<b>(4.63) %</b>

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

**Debt Administration.** At June 30, 2015, the District had \$10,942,509 in outstanding long-term debt, of which \$639,699 is due within one year. The liability for compensated absences decreased \$5,282 from the prior year. Principal payments of \$680,783 were made during the year.

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 8,270,000	\$ 8,670,000	(4.61) %
Limited obligation refunding bonds payable	576,000	751,000	(23.30) %
Certificates of participation payable	-	49,349	(100.00) %
Shortfall notes payable	44,605	101,039	(55.85) %
Qualified school construction bonds payable	1,990,000	1,990,000	0.00 %
Compensated absences payable	61,904	67,186	(7.86) %
<b>Total</b>	<b>\$ 10,942,509</b>	<b>\$ 11,628,574</b>	<b>(5.90) %</b>

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

### **CURRENT ISSUES**

The East Jasper 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 controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

### **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 Jasper School District, Post Office Drawer E, Heidelberg, Mississippi 39439.

FINANCIAL STATEMENTS

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**EAST JASPER SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,037,255
Investments	170,286
Due from other governments	389,506
Other receivables	8,318
Inventories	8,014
Restricted assets	3,732,620
Capital assets, net of accumulated depreciation	13,039,799
Total Assets	20,385,798
<b>Deferred Outflows of Resources</b>	
Pensions	1,005,627
	1,005,627
<b>Liabilities</b>	
Accounts payable and accrued liabilities	274,404
Interest payable on long-term liabilities	110,657
Long-term liabilities, due within one year:	
Capital related liabilities	592,000
Non-capital related liabilities	47,699
Long-term liabilities, due beyond one year:	
Capital related liabilities	10,244,000
Non-capital related liabilities	58,810
Net Pension Liability	9,887,146
Total Liabilities	21,214,716
<b>Deferred Inflows of Resources</b>	
Pensions	1,433,214
	1,433,214
<b>Net Position</b>	
Net investment in capital assets	2,203,799
Restricted for:	
Expendable:	
School-based activities	270,920
Ad valorem	132,835
Debt service	1,406,821
Capital improvements	17,841
Forestry improvements	134,054
Unemployment benefits	12,120
Non-expendable:	
Sixteenth section	3,526,510
Unrestricted	(8,961,405)
Total Net Position	\$ (1,256,505)

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

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**EAST JASPER SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 4,108,918	188,079	507,873		(3,412,966)
Support services	4,816,351		718,561		(4,097,790)
Non-instructional	664,676	36,500	725,980		97,804
Sixteenth section	90,860				(90,860)
Pension expense	685,721				(685,721)
Interest on long-term liabilities	557,655		107,691		(449,964)
<b>Total Governmental Activities</b>	<b>\$ 10,924,181</b>	<b>224,579</b>	<b>2,060,105</b>	<b>0</b>	<b>(8,639,497)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
					3,192,510
					1,096,777
<b>Unrestricted grants and contributions:</b>					
					4,442,741
					51,969
					30,792
					139,688
					273,846
					<u>9,228,323</u>
					588,826
					8,536,086
					<u>(10,381,417)</u>
					(1,845,331)
					<u>\$ (1,256,505)</u>

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

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**EAST JASPER SCHOOL DISTRICT**  
**Governmental Funds**

**Balance Sheet**  
**June 30, 2015**

**Exhibit C**

	Major Funds			Total Governmental Funds
	General Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,423,048	2,632,408	1,614,207	5,669,663
Cash with fiscal agents			11,938	11,938
Investments		562,127	696,433	1,258,560
Due from other governments	78,164		311,342	389,506
Due from other funds	95,164			95,164
Other receivables	155	8,163		8,318
Advances to other funds		419,917		419,917
Inventories			8,014	8,014
Total assets	1,596,531	3,622,615	2,641,934	7,861,080
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	158,812		114,020	272,832
Due to other funds	1,572		95,164	96,736
Advances from other funds	419,917			419,917
Total Liabilities	580,301	0	209,184	789,485
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory			8,014	8,014
Permanent fund principal		3,106,593		3,106,593
Advances		419,917		419,917
<b>Restricted:</b>				
Ad valorem	132,835			132,835
Capital improvement purposes			17,841	17,841
Debt service			1,517,478	1,517,478
Forestry improvement purposes			134,054	134,054
Grant activities			262,906	262,906
Unemployment benefits			12,120	12,120
<b>Assigned:</b>				
Student Activities	49,436			49,436
Instructional Activities	7,672	96,105		103,777
Capital improvement purposes			467,672	467,672
Unemployment benefits			12,665	12,665
Unassigned	826,287			826,287
Total Fund Balances	1,016,230	3,622,615	2,432,750	7,071,595
Total Liabilities, deferred inflows of resources and Fund Balances	\$ 1,596,531	3,622,615	2,641,934	7,861,080

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

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**EAST JASPER SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position Exhibit C-1  
June 30, 2015**

**Total fund balances for governmental funds** \$ 7,071,595

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	\$ 1,500	
Buildings	14,197,016	
Building improvements	1,815,296	
Improvements other than buildings	397,457	
Mobile equipment	1,827,212	
Furniture and equipment	1,043,396	
Accumulated depreciation	<u>(6,242,078)</u>	13,039,799

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	(9,887,146)	
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Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,005,627	
Deferred inflows of resources related to pensions	<u>(1,433,214)</u>	(10,314,733)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds payable	(8,270,000)	
Limited obligation refunding bonds payable	(576,000)	
Shortfall notes payable	(44,605)	
Qualified school construction bonds payable	(1,990,000)	
Compensated absences payable	(61,904)	
Accrued interest payable	<u>(110,657)</u>	<u>(11,053,166)</u>

**Net Position of governmental activities** \$ (1,256,505)

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

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**EAST JASPER SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Exhibit D**

**For the Year Ended June 30, 2015**

	Major Funds			Total Governmental Funds
	General Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>				
Local sources	\$ 3,654,255		1,137,544	4,791,799
State sources	4,094,123		571,299	4,665,422
Federal sources	63,858		1,825,536	1,889,394
Sixteenth section sources	76,488	89,671	233	166,392
<b>Total Revenues</b>	<b>7,888,724</b>	<b>89,671</b>	<b>3,534,612</b>	<b>11,513,007</b>
<b>Expenditures:</b>				
Instruction	3,465,966		692,681	4,158,647
Support services	4,206,454		670,560	4,877,014
Noninstructional services	26,089		652,065	678,154
Sixteenth section	54,468		39,657	94,125
Debt service:				
Principal			680,783	680,783
Interest	21,617		543,616	565,233
Other			5,634	5,634
<b>Total Expenditures</b>	<b>7,774,594</b>	<b>0</b>	<b>3,284,996</b>	<b>11,059,590</b>
Excess (Deficiency) of Revenues over (under) Expenditures	114,130	89,671	249,616	453,417
<b>Other Financing Sources (Uses):</b>				
Payments held by escrow agents			147,999	147,999
Operating transfers in	20,000		116,967	136,967
Payments to escrow agents			(147,999)	(147,999)
Operating transfers out	(116,967)		(20,000)	(136,967)
<b>Total Other Financing Sources (Uses)</b>	<b>(96,967)</b>	<b>0</b>	<b>96,967</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>17,163</b>	<b>89,671</b>	<b>346,583</b>	<b>453,417</b>
<b>Fund Balances:</b>				
July 1, 2014, as previously reported	728,455	3,532,944	2,348,895	6,610,294
Prior period adjustments	270,612		(258,092)	12,520
July 1, 2014, as restated	999,067	3,532,944	2,090,803	6,622,814
Increase (Decrease) in inventory			(4,636)	(4,636)
<b>June 30, 2015</b>	<b>\$ 1,016,230</b>	<b>3,622,615</b>	<b>2,432,750</b>	<b>7,071,595</b>

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

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**EAST JASPER 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, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 453,417

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	\$ 22,339	
Loss on disposal of assets	(72,277)	
Depreciation expense	<u>(624,564)</u>	(674,502)

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	680,783	
Accrued interest payable	<u>7,578</u>	688,361

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 - current year	(685,721)	
Deferred outflows - pensions	<u>806,625</u>	120,904

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

Change in compensated absences	5,282	
Change in inventory reserve	<u>(4,636)</u>	<u>646</u>

**Change in Net Position of governmental activities** \$ 588,826

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

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**EAST JASPER SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2015**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 333,441
Due from other funds	1,572
Total Assets	<u>\$ 335,013</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 329,162
Due to student clubs	5,461
Other payables	390
Total Liabilities	<u>\$ 335,013</u>

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

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EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

**A. Financial Reporting Entity**

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

For financial reporting purposes, East Jasper 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 and liabilities, 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.

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

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

16<sup>th</sup> Section Principal Fund – This permanent fund accounts for the nonspendable resources associated with sixteenth section land.

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.

The District's fiduciary funds include the following:

Student Club Funds – These various funds account for the monies raised through student club activities.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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.

FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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.

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, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> 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

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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.

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.

Deferred outflows – Pension Contributions  
Deferred outflows – Deferred Amounts on Issuance of Refunding Debt

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.

Deferred inflows – Pension Settlements to Plan Members

See Note 9 for further details.

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. The district had no committed fund balances at June 30, 2015.

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed,

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

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

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

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

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

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

#### **Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,669,663 and \$333,441, 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. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$6,294,296 was exposed to custodial credit risk.

#### **Cash with Fiscal Agents**

The carrying amount of the school district's cash with fiscal agents was \$11,938. This amount represents amounts held by a paying agent to satisfy future principal and interest payments on limited obligation refunding bonds. This amount is shown as restricted assets on the Statement of Net Position.

#### **Investments**

As of June 30, 2015, the district had the following investments. \$1,088,274 of these investments are shown as restricted assets on the Statement of Net Position.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of Deposit	N/A	Less than 1 year	\$ 732,413
Federated U.S. Treasury Reserve Fund	AA+	Less than 3 years	526,147
	Total		<u>\$ 1,258,560</u>

*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, 2015, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit	\$ 732,413	58%

**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	Other governmental funds	\$ 95,164
Fiduciary funds	General Fund	1,572
Total		<u>\$ 96,736</u>

The amounts primarily represent interfund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**B. Advances From/To Other Funds**

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 419,917
Total		<u>\$ 419,917</u>

Sixteenth section principal loans payable

The interfund advances represent sixteenth section principal fund loans payable. These interfund loan balances are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the 16th Section Principal Fund (Permanent Fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The debt service expenditures and related interest income revenues associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 39,679	16,797	56,476
2017	41,266	15,210	56,476
2018	42,917	13,559	56,476
2019	44,634	11,842	56,476
2020	46,419	10,057	56,476
2021 - 2025	205,002	20,902	225,904
Total	<u>\$ 419,917</u>	<u>88,367</u>	<u>508,284</u>

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 116,967
Other governmental funds	General Fund	20,000
Total		<u>\$ 136,967</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$2,632,408, and investments, totaling \$562,127, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district' programs. Restricted assets also include cash with fiscal agents, totaling \$11,938, of the MAEP Limited Obligation Refunding Bonds Debt Service Fund and investments of \$526,147 of the Qualified School Construction Bonds Sinking Fund. The total restricted assets shown on the Statement of Net Position is \$3,732,620.

**Note 5 – Capital Assets**

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 1,500				1,500
Total non-depreciable capital assets	1,500	-	-	-	1,500
<b><u>Depreciable capital assets:</u></b>					
Buildings	14,279,429		82,413		14,197,016
Building Improvements	1,815,296				1,815,296
Improvements other than buildings	397,457				397,457
Mobile equipment	1,816,173	11,039			1,827,212
Furniture and equipment	988,556	11,300	52,479	96,019	1,043,396
Total depreciable capital assets	19,296,911	22,339	134,892	96,019	19,280,377
<b><u>Less accumulated depreciation for:</u></b>					
Buildings	3,366,488	279,020	11,538		3,633,970
Building Improvements	255,098	66,905			322,003
Improvements other than buildings	150,187	14,735			164,922
Mobile equipment	1,222,870	66,435			1,289,305
Furniture and equipment	631,167	197,469	51,077	54,319	831,878
Total accumulated depreciation	5,625,810	624,564	62,615	54,319	6,242,078
Total depreciable capital assets, net	13,671,101	(602,225)	72,277	41,700	13,038,299
net	\$ 13,672,601	(602,225)	72,277	41,700	13,039,799

Adjustments represent assets owned by the district that are currently in service but that were not captured in the subsidiary records at the time of purchase.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 373,623
Support services	232,098
Non-instructional	18,843
Total depreciation expense - Governmental activities	\$ 624,564

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 8,670,000		400,000	8,270,000	410,000
B. Limited obligation refunding bonds payable	751,000		175,000	576,000	182,000
C. Certificates of participation payable	49,349		49,349	-	-
D. Shortfall notes payable	101,039		56,434	44,605	44,605
E. Qualified school construction bonds payable	1,990,000		-	1,990,000	-
F. Compensated absences payable	67,186		5,282	61,904	3,094
Total	<u>\$ 11,628,574</u>	<u>-</u>	<u>686,065</u>	<u>10,942,509</u>	<u>639,699</u>

**A. General obligation bonds payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, series 2009	3.75-5.30%	1-Apr-09	1-Apr-29	\$ 10,000,000	8,270,000
Total				<u>\$ 10,000,000</u>	<u>8,270,000</u>

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

General obligation refunding bond issue of April 1, 2009.

Year Ending June 30	Principal	Interest	Total
2016	\$ 410,000	360,540	770,540
2017	430,000	338,810	768,810
2018	460,000	316,020	776,020
2019	490,000	291,640	781,640
2020-2025	2,915,000	1,118,560	4,033,560
2026-2030	3,565,000	449,948	4,014,948
Total	<u>\$ 8,270,000</u>	<u>2,875,518</u>	<u>11,145,518</u>

This debt will be retired from the \$10M GO Bond Debt Service Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 9% of property assessments as of October 1, 2014.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

A portion of the general obligation bonds payable will be secured by the pledge of Educational Enhancement Fund (EEF) Buildings and Buses revenue that the school district receives from the State of Mississippi. Pledged EEF revenues will be used to pay approximately 5-9% of the total annual debt service payment on the general obligation bond issue until the final maturity of this debt on April 1, 2029. The proceeds of the general obligation bond issue were used for the construction of the New Elementary School and various renovations of other school buildings and facilities. The total remaining principal and interest to be paid on the bonds is \$11,145,518. Principal and interest paid for the current year and total EEF revenues were \$781,740 and \$45,201, respectively.

**B. Limited obligation refunding bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, seris 2006	3.88%	15-Dec-06	1-Feb-18	\$ 1,790,000	576,000
<b>Total</b>				<u>\$ 1,790,000</u>	<u>576,000</u>

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

Limited obligation refunding bond issue of December 15, 2006.

Year Ending June 30	Principal	Interest	Total
2016	\$ 182,000	22,349	204,349
2017	189,000	15,287	204,287
2018	205,000	7,954	212,954
<b>Total</b>	<u>\$ 576,000</u>	<u>45,590</u>	<u>621,590</u>

The debt will be retired from the MAEP Refunding Bonds 2006 Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$1,790,000 in limited obligation refunding bonds payable issued. Proceeds from the bonds were used to finance capital improvements made to the district's buildings. The bonds are payable solely from future revenues of the State Minimum Adequate Education Program and are payable through February 1, 2018. Annual principal and interest payments on the bonds are expected to require approximately five (5) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$621,590. Principal and interest paid for the current year and total State Minimum Adequate Education Program revenues were \$204,139 and \$4,274,444, respectively.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**C. Certificates of participation payable**

This debt was paid in full during the year ended June 30, 2015.

**D. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes, series 2012	2.44%	30-Aug-12	30-Aug-15	\$ 130,609	44,605
Total				<u>\$ 130,609</u>	<u>44,605</u>

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

Shortfall notes payable issued August 30, 2012.

Year Ending June 30	Principal	Interest	Total
2016	\$ 44,605	1,103	45,708
Total	<u>\$ 44,605</u>	<u>1,103</u>	<u>45,708</u>

This note will be retired from the Shortfall Note 2012 fund.

**E. Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, series 2011	6.47%	24-Feb-11	1-Dec-25	\$ 2,200,000	1,990,000
Total				<u>\$ 2,200,000</u>	<u>1,990,000</u>

**F. 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 JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 7 – Prior Year Defeasance of Debt**

In prior years, the school district defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included on the district's financial statements. On June 30, 2015, \$555,000 of the bonds outstanding are defeased.

**Note 8 – Other Commitments**

Operating leases:

The school district has entered into operating leases for the following:

1. Three (3) postage meters
2. Two (2) Toshiba copiers
3. Five (5) Ricoh copiers
4. One (1) Ricoh duplicator

Lease expenditures for the year ended June 30, 2015, amounted to \$27,275.

Future lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2016	\$ 11,290
2017	7,465
2018	5,812
Total	<u>\$ 24,567</u>

**Note 9 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

*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

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$806,625, \$783,931, and \$705,732, 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, 2015, the school district reported a liability of \$9,887,146 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.081455 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$685,721. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual Experience	\$ 154,237	\$
Net difference between projected and actual earnings on pension plan investments		1,433,214
Changes in proportion and differences between District contributions and proportionate share of Contributions	44,765	
District contributions subsequent to the measurement date	806,625	
Total	\$ <u>1,005,627</u>	\$ <u>1,433,214</u>

\$806,625 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ ( 286,720)
2017	( 286,720)
2018	( 302,469)
2019	( 358,304)

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. *Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 13,479,128	\$ 9,887,146	\$ 6,890,898

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

**Note 10 – 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

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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
2016	\$ 61,285
2017	60,810
2018	53,610
2019	17,846
2020	13,035
2021 – 2025	61,658
2026 – 2030	40,813
2031 – 2035	33,434
Thereafter	31,664
Total	<u>\$ 374,155</u>

**Note 11 – 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 68 and 71:	
Net pension liability (measurement date)	\$ (11,219,568)
Deferred outflows - contributions made during fiscal year 2014	783,931
Total prior period adjustment related to GASB 68 and 71	\$ (10,435,637)
2. Restatement of a prior year asset or liability	12,520
3. Restatement of a capital asset	41,700
Total	<u>\$ (10,381,417)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	Reclassification of fund type	\$ 258,092
	Restatement of a prior year asset or liability	12,520
Other governmental funds	Reclassification of fund type	(258,092)
Total		<u>\$ 12,520</u>

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

#### **Note 12 – Contingencies**

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

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

#### **Note 13 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for 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 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

#### **Note 14 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or a 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 received Federal income tax credits at a prescribed rate 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 state interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The subsidy payment received for the year ended June 30, 2015, was \$107,691.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within 3 years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015, was \$526,147. 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 JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

Year Ending June 30	Amount
2016	\$ 141,000
2017	132,000
2018	132,000
2019	132,000
2020	133,000
2021 – 2025	665,000
2026 – 2030	133,000
Total	<u>\$ 1,468,000</u>

**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 Jasper School District evaluated the activity of the district through March 22, 2016, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

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**EAST JASPER SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,655,204	3,661,537	3,654,255	6,333	(7,282)
State sources	4,066,998	4,066,998	4,094,123	0	27,125
Federal sources	86,000	86,000	63,858	0	(22,142)
Sixteenth section sources	0	182,598	76,488	182,598	(106,110)
<b>Total Revenues</b>	<b>7,808,202</b>	<b>7,997,133</b>	<b>7,888,724</b>	<b>188,931</b>	<b>(108,409)</b>
<b>Expenditures:</b>					
Instruction	4,120,354	4,192,952	3,465,966	(72,598)	726,986
Support services	4,495,973	4,905,405	4,206,454	(409,432)	698,951
Noninstructional services	20,679	29,385	26,089	(8,706)	3,296
Sixteenth section	0	58,422	54,468	(58,422)	3,954
Debt service:					
Interest	21,620	21,620	21,617	0	3
<b>Total Expenditures</b>	<b>8,658,626</b>	<b>9,207,784</b>	<b>7,774,594</b>	<b>(549,158)</b>	<b>1,433,190</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(850,424)	(1,210,651)	114,130	(360,227)	1,324,781
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	908,688	977,932	20,000	69,244	(957,932)
Operating transfers out	(425,000)	(529,084)	(116,967)	(104,084)	412,117
<b>Total Other Financing Sources (Uses)</b>	<b>483,688</b>	<b>448,848</b>	<b>(96,967)</b>	<b>(34,840)</b>	<b>(545,815)</b>
<b>Net Change in Fund Balances</b>	<b>(366,736)</b>	<b>(761,803)</b>	<b>17,163</b>	<b>(395,067)</b>	<b>778,966</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	577,550	988,056	728,455	410,506	(259,601)
Prior period adjustments	0	0	270,612	0	270,612
July 1, 2014, as restated	577,550	988,056	999,067	410,506	11,011
June 30, 2015	\$ 210,814	226,253	1,016,230	15,439	789,977

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

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**EAST JASPER SCHOOL DISTRICT**  
Required Supplementary Information

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**PERS**

**Last 10 Fiscal Years\***

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.8145500%
District's proportionate share of the net pension liability (asset)	\$ 9,887,146
District's covered-employee payroll	4,977,340
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.64%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

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

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

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**EAST JASPER SCHOOL DISTRICT**  
 Required Supplementary Information

**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**PERS**  
 Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	806,625									
Contributions in relation to the contractually required contribution	\$ 806,625									
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0	0
District's covered-employee payroll	5,121,429									
Contributions as a percentage of covered-employee payroll	15.75%									

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

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

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EAST JASPER SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

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 consistent with accounting principles generally accepted in the United States of America.

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SUPPLEMENTARY INFORMATION

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**EAST JASPER SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 244,058
National school lunch program	10.555	461,921
Summer food service program for children	10.559	48,534
Total child nutrition cluster		<u>754,513</u>
Fresh fruit and vegetable program	10.582	27,891
<b>Total U.S. Department of Agriculture</b>		<b><u>782,404</u></b>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	51,801
<b>Total Federal Communications Commission</b>		<b><u>51,801</u></b>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	554,455
Career and technical education - basic grants to states	84.048	9,691
Rural education	84.358	15,393
Improving teacher quality-State Grants	84.367	129,425
Subtotal		<u>708,964</u>
Special education cluster:		
Special education - grants to states	84.027	221,103
Special education - preschool grants	84.173	5,375
Total special education cluster		<u>226,478</u>
Total passed-through Mississippi Department of Education		<u>935,442</u>
<b>Total U.S. Department of Education</b>		<b><u>935,442</u></b>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	11,888
<b>Total U.S. Department of Health and Human Services</b>		<b><u>11,888</u></b>
Total for All Federal Awards		<b><u>\$ 1,781,535</u></b>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

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**EAST JASPER SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

**For the Year Ended June 30, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,096,330	4,419,131	789,588	462,129	1,425,482
Other	3,963,260	896,142	211,627	41,018	2,814,473
<b>Total</b>	<b>\$ 11,059,590</b>	<b>5,315,273</b>	<b>1,001,215</b>	<b>503,147</b>	<b>4,239,955</b>
Total number of students *	967				
Cost per student	\$ 11,437	5,497	1,035	520	4,385

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

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OTHER INFORMATION

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**EAST JASPER SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2015	* 2014	* 2013	* 2012
<b>Revenues:</b>				
Local sources	\$ 3,654,255	3,447,581	3,086,339	2,946,234
State sources	4,094,123	3,753,205	3,925,068	3,947,544
Federal sources	63,858	42,824	536,557	129,882
Sixteenth section sources	76,488			
<b>Total Revenues</b>	<b>7,888,724</b>	<b>7,243,610</b>	<b>7,547,964</b>	<b>7,023,660</b>
<b>Expenditures:</b>				
Instruction	3,465,966	3,524,067	3,553,915	3,593,857
Support services	4,206,454	4,541,813	4,526,963	3,600,351
Noninstructional services	26,089	19,813	1,684	4,250
Sixteenth section	54,468			
Debt service:				
Interest	21,617	6,407	9,341	12,109
<b>Total Expenditures</b>	<b>7,774,594</b>	<b>8,092,100</b>	<b>8,091,903</b>	<b>7,210,567</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>114,130</b>	<b>(848,490)</b>	<b>(543,939)</b>	<b>(186,907)</b>
<b>Other Financing Sources (Uses):</b>				
Insurance recoveries		13,445	93,416	
Proceeds of shortfall loans			89,892	37,783
Sale of transportation equipment		4,960		
Operating transfers in	20,000	438,608	404,673	457,309
Other financing sources		155,500		
Operating transfers out	(116,967)	(197,843)	(250,740)	(119,243)
Other financing uses			(2,780)	
<b>Total Other Financing Sources (Uses)</b>	<b>(96,967)</b>	<b>414,670</b>	<b>334,461</b>	<b>375,849</b>
<b>Net Change in Fund Balances</b>	<b>17,163</b>	<b>(433,820)</b>	<b>(209,478)</b>	<b>188,942</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	728,455	1,189,639	1,298,830	1,116,238
Prior period adjustments	270,612	(27,364)	100,287	(6,350)
<b>Beginning of period, as restated</b>	<b>999,067</b>	<b>1,162,275</b>	<b>1,399,117</b>	<b>1,109,888</b>
<b>End of Period</b>	<b>\$ 1,016,230</b>	<b>728,455</b>	<b>1,189,639</b>	<b>1,298,830</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**EAST JASPER SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2015	* 2014	* 2013	* 2012
<b>Revenues:</b>				
Local sources	\$ 4,791,799	4,654,550	4,138,575	3,960,387
State sources	4,665,422	4,283,003	4,422,858	4,392,695
Federal sources	1,889,394	1,587,120	1,976,565	2,108,649
Sixteenth section sources	166,392	449,136	304,331	743,770
<b>Total Revenues</b>	<b>11,513,007</b>	<b>10,973,809</b>	<b>10,842,329</b>	<b>11,205,501</b>
<b>Expenditures:</b>				
Instruction	4,158,647	4,299,357	4,394,366	4,522,246
Support services	4,877,014	5,279,708	4,976,085	4,788,504
Noninstructional services	678,154	681,076	694,292	675,334
Sixteenth section	94,125	119,674	79,123	117,320
Facilities acquisition and construction			2,208,677	497,802
Debt service:				
Principal	680,783	790,625	569,672	684,241
Interest	565,233	483,311	494,532	521,716
Other	5,634	5,604	5,655	5,451
<b>Total Expenditures</b>	<b>11,059,590</b>	<b>11,659,355</b>	<b>13,422,402</b>	<b>11,812,614</b>
Excess (Deficiency) of Revenues over (under) Expenditures	453,417	(685,546)	(2,580,073)	(607,113)
<b>Other Financing Sources (Uses):</b>				
Insurance recoveries		13,445	93,416	
Proceeds of shortfall loans			130,609	37,783
Payments held by escrow agents	147,999	290,770	288,770	192,953
Sale of transportation equipment		4,960		
Operating transfers in	136,967	636,451	655,413	970,799
Other financing sources		155,500		16
Payments to escrow agents	(147,999)	(290,770)	(288,770)	(192,953)
Operating transfers out	(136,967)	(636,451)	(655,413)	(970,799)
Other financing uses			(2,780)	
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>173,905</b>	<b>221,245</b>	<b>37,799</b>
<b>Net Change in Fund Balances</b>	<b>453,417</b>	<b>(511,641)</b>	<b>(2,358,828)</b>	<b>(569,314)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	6,610,294	7,145,745	9,402,495	9,977,711
Prior period adjustments	12,520	(27,364)	100,287	(6,450)
Beginning of period, as restated	6,622,814	7,118,381	9,502,782	9,971,261
Increase (Decrease) in reserve for inventory	(4,636)	3,554	1,791	548
<b>End of Period</b>	<b>\$ 7,071,595</b>	<b>6,610,294</b>	<b>7,145,745</b>	<b>9,402,495</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
sesmithcpa@msn.com

**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 Jasper School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jasper School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise East Jasper School District's basic financial statements, and have issued our report thereon dated March 22, 2016.

**Internal Control Over Financial Reporting**

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

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

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

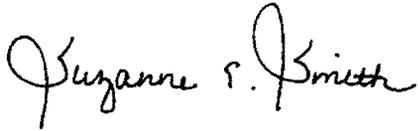
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Jasper 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*.

POST OFFICE BOX 102  
BRANDON, MISSISSIPPI 39043  
PHONE: 601-938-5717

**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 result 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.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
March 22, 2016

**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
sesmithcpa@msn.com

**Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133**

Superintendent and School Board  
East Jasper School District

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

We have audited East Jasper School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of East Jasper School District's major federal programs for the year ended June 30, 2015. East Jasper 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of East Jasper 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 East Jasper 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 East Jasper School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, East Jasper 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, 2015.

**Report on Internal Control Over Compliance**

Management of East Jasper School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning

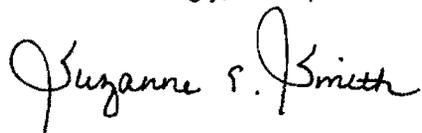
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PHONE: 601-938-5717

and performing our audit of compliance, we considered East Jasper 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 OMB Circular A-133, 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 East Jasper School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
March 22, 2016

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

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

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

Superintendent and School Board  
East Jasper School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2015, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated March 22, 2016. 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. The district reported no classroom supply funds carried over from previous years.

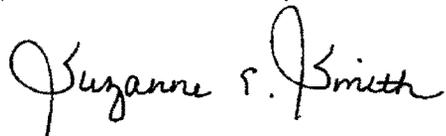
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

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.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
March 22, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**EAST JASPER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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 weaknesses identified?                       | No            |
| b. Significant deficiencies identified?                  | None reported |
| 3. Noncompliance material to financial statements noted? | No            |

Federal Awards:

- |   |               |
|---|---------------|
| 4. Internal control over major programs:  |               |
| a. Material weaknesses identified?  | No            |
| b. Significant deficiencies 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 Section 510(a) of OMB Circular A-133? | No            |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
84.027; 84.173	Special Education Cluster
84.367	Improving Teacher Quality – State Grants

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee?                                   | No        |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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*East Jasper School District*  
*Administrative Offices*

P. O. Drawer E  
Heidelberg, MS 39439

Phone: (601)-787-3281  
(601)-787-2055  
Fax: (601)-787-3410

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FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS

Finding 2014-01. Deficiencies in Internal Controls Surrounding Student Activity Funds

Status of Finding: Corrected

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