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EAST JASPER SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2014



EAST JASPER SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	11
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	21
Exhibit B – Statement of Activities	23
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	25
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	27
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	29
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	31
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	33
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	55
Notes to the Required Supplementary Information	57
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	61
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	63
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	67
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	69
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	73
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	75
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	83
AUDITEE'S CORRECTIVE ACTION PLAN	87

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INDEPENDENT AUDITOR'S REPORT

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Accounting and Auditing Services  
Email: [sesmithcpa@msn.com](mailto:sesmithcpa@msn.com)

Telephone: 601-482-8040  
Cell: 601-938-5717

Member MSCPA

**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, 2014, 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11-17 and 55-57 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*

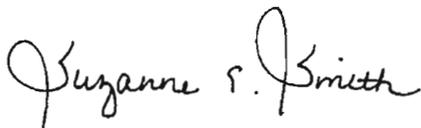
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Jasper School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, 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 20, 2015, 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

Meridian, MS  
March 20, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 2014 increased \$240,733, including a prior period adjustment of \$196,778, which represents a 2.9% increase from fiscal year 2013. Total net position for 2013 decreased \$15,299, which represents less than a 1% decrease from fiscal year 2012, and includes a prior period adjustment of \$107,268.
- General revenues amounted to \$9,110,536 and \$8,971,336, or 82% and 82% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,032,219, or 18% of total revenues for 2014, and \$1,964,408, or 18% of total revenues for 2013.
- The District had \$11,098,800 and \$11,058,311 in expenses for fiscal years 2014 and 2013; only \$2,032,219 for 2014 and \$1,964,408 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,110,536 for 2014 were adequate to provide for these programs, while general revenues of \$8,971,336 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,243,610 in revenues and \$8,092,100 in expenditures for 2014, and \$7,547,964 in revenues and \$8,091,903 in expenditures in 2013. The General Fund's fund balance decreased by \$461,184 from 2013 to 2014, including a prior period adjustment of (\$27,364), and decreased by \$109,191, including a prior period adjustment of \$100,287 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$66,907 for 2014 and increased by \$1,807,059 for 2013. The increase for 2014 was due primarily to the addition of mobile equipment and furniture and equipment.
- Long-term debt, including the liability for compensated absences, decreased by \$787,528 for 2014 and decreased by \$435,019 for 2013. This decrease for 2014 was due primarily to principal payments of \$790,625. The liability for compensated absences increased by \$3,097 for 2014 and increased by \$4,044 for 2013.

### 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, 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 and interest on long-term liabilities.

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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.

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**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.

**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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,536,086 as of June 30, 2014.

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, 2014 and June 30, 2013.

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 3,405,529	\$ 4,030,468	-15.51 %
Restricted assets	3,500,732	3,645,964	-3.98 %
Capital assets, net	13,672,601	13,605,694	0.49 %
<b>Total assets</b>	<b><u>20,578,862</u></b>	<b><u>21,282,126</u></b>	<b>-3.30 %</b>
Current liabilities	414,202	570,671	-27.42 %
Long-term debt outstanding	11,628,574	12,416,102	-6.34 %
<b>Total liabilities</b>	<b><u>12,042,776</u></b>	<b><u>12,986,773</u></b>	<b>-7.27 %</b>
<b>Net position:</b>			
Net investment in capital assets	2,212,252	1,409,790	56.92 %
Restricted	5,016,471	5,021,357	-0.10 %
Unrestricted	1,307,363	1,864,206	-29.87 %
<b>Total net position</b>	<b><u>\$ 8,536,086</u></b>	<b><u>\$ 8,295,353</u></b>	<b>2.90 %</b>

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

- Increase in net capital assets in the amount of \$66,907.
- The principal retirement of \$790,625 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$11,142,755 and \$10,935,744, respectively. The total cost of all programs and services was \$11,098,800 for 2014 and \$11,058,311 for 2013. Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 279,210	\$ 333,427	(16.26) %
Operating grants and contributions	1,753,009	1,630,981	7.48 %
General revenues:			
Property taxes	4,069,719	3,691,553	10.24 %
Grants and contributions not restricted	4,117,114	4,768,442	(13.66) %
Investment earnings	17,879	10,361	72.56 %
Sixteenth section sources	396,934	275,975	43.83 %
Other	508,890	225,005	126.17 %
<b>Total revenues</b>	<b>11,142,755</b>	<b>10,935,744</b>	<b>1.89 %</b>
<b>Expenses:</b>			
Instruction	4,673,978	4,717,235	(0.92) %
Support services	5,153,049	5,069,548	1.65 %
Non-instructional	682,221	697,246	(2.15) %
Sixteenth section	119,674	79,123	51.25 %
Interest on long-term liabilities	469,878	495,159	(5.11) %
<b>Total expenses</b>	<b>11,098,800</b>	<b>11,058,311</b>	<b>0.37 %</b>
<b>Increase (Decrease) in net position</b>	<b>43,955</b>	<b>(122,567)</b>	<b>135.86 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>8,295,353</b>	<b>8,310,652</b>	<b>(0.18) %</b>
<b>Prior Period Adjustment</b>	<b>196,778</b>	<b>107,268</b>	<b>83.45 %</b>
<b>Net Position, July 1, as restated</b>	<b>8,492,131</b>	<b>8,417,920</b>	<b>0.88 %</b>
<b>Net Position, June 30</b>	<b>\$ 8,536,086</b>	<b>\$ 8,295,353</b>	<b>2.90 %</b>

**Governmental activities**

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

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2014</b>	<b>2013</b>	
Instruction	\$ 4,673,978	\$ 4,717,235	(0.92) %
Support services	5,153,049	5,069,548	1.65 %
Non-instructional	682,221	697,246	(2.15) %
Sixteenth section	119,674	79,123	51.25 %
Interest on long-term liabilities	469,878	495,159	(5.11) %
<b>Total expenses</b>	<b>\$ 11,098,800</b>	<b>\$ 11,058,311</b>	<b>0.37 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2014</b>	<b>2013</b>	
Instruction	\$ (3,981,893)	\$ (4,005,686)	(0.59) %
Support services	(4,668,808)	(4,559,819)	2.39 %
Non-instructional	86,676	(17,520)	(594.73) %
Sixteenth section	(77,879)	(60,920)	27.84 %
Interest on long-term liabilities	(424,677)	(449,958)	(5.62) %
<b>Total net (expense) revenue</b>	<b>\$ (9,066,581)</b>	<b>\$ (9,093,903)</b>	<b>(0.30) %</b>

- Net cost of governmental activities [(\$9,066,581) for 2014 and (\$9,093,903) for 2013] was financed by general revenue, which is primarily made up of property taxes (\$4,069,719 for 2014 and \$3,691,553 for 2013) and state and federal revenues (\$4,117,114 for 2014 and \$4,768,442 for 2013). In addition, there was \$396,934 and \$275,975 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$17,879 for 2014 and \$10,361 for 2013.

## 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 \$6,610,294, a decrease of \$535,451, which includes an increase in inventory of \$3,554 and a prior period adjustment of (\$27,364). \$683,040 or 10% 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 \$5,927,254 or 90% 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.

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$461,184, which includes a prior period adjustment of (\$27,364). The fund balance of Other Governmental Funds showed a decrease in the amount of \$208,164, which includes an increase in reserve for inventory of \$3,554. The increase (decrease) in the fund balances for the other major funds was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Limited Tax Note Series 2011	\$ 26,340
16th Section Principal Fund	107,557

### 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, 2014, the District's total capital assets were \$19,298,411 including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$434,669 from 2013, which includes a prior period adjustment of \$334,540. Total accumulated depreciation as of June 30, 2014, was \$5,625,810, and total depreciation expense for the year was \$652,954, resulting in total net capital assets of \$13,672,601.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 1,500	1,500	0.00 %
Buildings	10,912,941	11,193,609	(2.51) %
Building improvements	1,560,198	1,632,810	(4.45) %
Improvements other than buildings	247,270	263,169	(6.04) %
Mobile equipment	593,303	253,460	134.08 %
Furniture and equipment	357,389	261,146	36.85 %
<b>Total</b>	<b>\$ 13,672,601</b>	<b>\$ 13,605,694</b>	<b>0.49 %</b>

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

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Debt Administration.** At June 30, 2014, the District had \$11,628,574 in outstanding long-term debt, of which \$684,142 is due within one year. The liability for compensated absences increased \$3,097 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligations bonds payable	\$ 8,670,000	\$ 8,980,000	(3.45) %
Limited obligation refunding bonds payable	751,000	920,000	(18.37) %
Certificates of participation payable	49,349	95,905	(48.54) %
Shortfall notes payable	101,039	156,108	(35.28) %
Qualified school construction bonds payable	1,990,000	2,200,000	(9.55) %
Compensated absences payable	67,186	64,089	4.83 %
<b>Total</b>	<b>\$ 11,628,574</b>	<b>\$ 12,416,102</b>	<b>(6.34) %</b>

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

### CURRENT ISSUES

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. The district plans to continue its sound fiscal management to meet the challenges of the future.

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

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the East Jasper School District, Post Office Drawer E, Heidelberg, Mississippi 39439.

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FINANCIAL STATEMENTS

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**EAST JASPER SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2014**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,780,518
Investments	170,266
Due from other governments	367,508
Other receivables, net	65,642
Inventories	12,650
Prepaid items	8,945
Restricted assets	3,500,732
Capital assets, net of accumulated depreciation	13,672,601
Total Assets	20,578,862
<b>Liabilities</b>	
Accounts payable and accrued liabilities	215,223
Interest payable on long-term liabilities	118,235
Unearned revenue	76,623
Other payables	4,121
Long-term liabilities, due within one year:	
Capital related liabilities	624,349
Non-capital related liabilities	59,793
Long-term liabilities, due beyond one year:	
Capital related liabilities	10,836,000
Non-capital related liabilities	108,432
Total Liabilities	12,042,776
<b>Net Position</b>	
Net investment in capital assets	2,212,252
Restricted for:	
Expendable:	
School-based activities	171,635
Debt service	1,101,948
Capital improvements	81,777
Forestry improvements	173,479
Unemployment benefits	24,323
Non-expendable:	
Sixteenth section	3,463,309
Unrestricted	1,307,363
Total Net Position	\$ 8,536,086

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

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EAST JASPER SCHOOL DISTRICT

Exhibit B

Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 4,673,978	169,751	522,334		(3,981,893)
Support services	5,153,049	13,445	470,796		(4,668,808)
Non-instructional	682,221	54,219	714,678		86,676
Sixteenth section	119,674	41,795			(77,879)
Interest on long-term liabilities	469,878		45,201		(424,677)
Total Governmental Activities	\$ 11,098,800	279,210	1,753,009	0	(9,066,581)

General Revenues:	
Taxes:	
General purpose levies	2,941,818
Debt purpose levies	1,127,901
Unrestricted grants and contributions:	
State	4,076,254
Federal	40,860
Unrestricted investment earnings	17,879
Sixteenth section sources	396,934
Other	508,890
Total General Revenues	9,110,536
Change in Net Position	43,955
Net Position - Beginning, as previously reported	8,295,353
Prior Period Adjustments	196,778
Net Position - Beginning, as restated	8,492,131
Net Position - Ending	\$ 8,536,086

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, 2014

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Limited Tax Note Series 2011 Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 1,025,668	482,090	2,451,837	1,272,760	5,232,355
Cash with fiscal agents				385,765	385,765
Investments			560,425	170,266	730,691
Due from other governments	168,395	4,015		297,803	470,213
Other receivables, net	52,810		6,767	2,740	62,317
Due from other funds	133,694			333,863	467,557
Advances from other funds			513,915		513,915
Prepaid items	8,945				8,945
Inventories				12,650	12,650
<b>Total assets</b>	<b>1,389,512</b>	<b>486,105</b>	<b>3,532,944</b>	<b>2,475,847</b>	<b>7,884,408</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	139,703			75,520	215,223
Due to other funds	7,439	330,545		130,369	468,353
Advances to other funds	513,915			76,623	513,915
Unearned revenue					76,623
<b>Total Liabilities</b>	<b>661,057</b>	<b>330,545</b>	<b>0</b>	<b>282,512</b>	<b>1,274,114</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory				12,650	12,650
Prepaid items	8,945				8,945
Advances			513,915		513,915
Permanent fund principal			2,949,394		2,949,394
<b>Restricted:</b>					
Debt service		155,560		1,064,623	1,220,183
Forestry improvement purposes				173,479	173,479
Grant activities	7,673			142,367	150,040
Unemployment benefits				24,323	24,323
Capital improvements				81,777	81,777
<b>Assigned:</b>					
Capital improvements				434,215	434,215
Student activities	28,797				28,797
Instructional activities			69,635	259,901	329,536
<b>Unassigned</b>	<b>683,040</b>				<b>683,040</b>
<b>Total Fund Balances</b>	<b>728,455</b>	<b>155,560</b>	<b>3,532,944</b>	<b>2,193,335</b>	<b>6,610,294</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,389,512</b>	<b>486,105</b>	<b>3,532,944</b>	<b>2,475,847</b>	<b>7,884,408</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 Balance Sheet to the Statement of Net Position** **Exhibit C-1**  
**June 30, 2014**

**Total fund balances for governmental funds** **\$ 6,610,294**

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	14,279,429
Building improvements	1,815,296
Improvements other than buildings	397,457
Mobile equipment	1,816,173
Furniture and equipment	988,556
Accumulated depreciation	<u>(5,625,810)</u>
	<b>13,672,601</b>

2. 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	(8,670,000)
Limited obligation refunding bonds payable	(751,000)
Certificates of participation payable	(49,349)
Shortfall notes payable	(101,039)
Qualified school construction bonds payable	(1,990,000)
Compensated absences payable	(67,186)
Accrued interest payable	<u>(118,235)</u>
	<b>(11,746,809)</b>

**Net Position of governmental activities** **\$ 8,536,086**

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**  
**For the Year Ended June 30, 2014**

	Major Funds					Total
	General Fund	Limited Tax Note Series 2011 Fund	16th Section Principal Fund	Other Governmental Funds	Governmental Funds	Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 3,447,581	324,043		882,926	4,654,550	
State sources	3,753,205			529,798	4,283,003	
Federal sources	42,824			1,544,296	1,587,120	
Sixteenth section sources			107,557	341,579	449,136	
<b>Total Revenues</b>	<b>7,243,610</b>	<b>324,043</b>	<b>107,557</b>	<b>3,298,599</b>	<b>10,973,809</b>	
<b>Expenditures:</b>						
Instruction	3,524,067			775,290	4,299,357	
Support services	4,541,813			737,895	5,279,708	
Noninstructional services	19,813			661,263	681,076	
Sixteenth section				119,674	119,674	
Debt service:						
Principal		743		789,882	790,625	
Interest	6,407	6,190		470,714	483,311	
Other				5,604	5,604	
<b>Total Expenditures</b>	<b>8,092,100</b>	<b>6,933</b>	<b>0</b>	<b>3,560,322</b>	<b>11,659,355</b>	
Excess (Deficiency) of Revenues over (under) Expenditures	(848,490)	317,110	107,557	(261,723)	(685,546)	
<b>Other Financing Sources (Uses):</b>						
Insurance loss recoveries	13,445				13,445	
Sale of transportation equipment	4,960				4,960	
Payments held by escrow agent				290,770	290,770	
Operating transfers in	438,608			197,843	636,451	
Other financing sources	155,500				155,500	
Payments to escrow agent	(197,843)	(290,770)		(438,608)	(290,770)	
Operating transfers out	414,670	(290,770)	0	50,005	173,905	
<b>Total Other Financing Sources (Uses)</b>	<b>(433,820)</b>	<b>26,340</b>	<b>107,557</b>	<b>(211,718)</b>	<b>(511,641)</b>	
<b>Net Change in Fund Balances</b>	<b>1,189,639</b>	<b>129,220</b>	<b>3,425,387</b>	<b>2,401,499</b>	<b>7,145,745</b>	
Fund Balances:						
July 1, 2013, as originally presented	(27,364)				(27,364)	
Adjustments	1,162,275	129,220	3,425,387	2,401,499	7,118,381	
July 1, 2013, as adjusted						
Increase (Decrease) in reserve for inventory				3,554	3,554	
June 30, 2014	\$ 728,455	155,560	3,532,944	2,193,335	6,610,294	

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

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

Exhibit D-1

**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, 2014**

**Net change in fund balances - total governmental funds** \$ (511,641)

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	\$ 524,908
Depreciation expense	(128,046)
	(29,189)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of 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	790,625
Accrued interest payable	13,433
	804,058
Change in compensated absences	(3,097)
Change in inventory reserve	3,554
Write off of deferred charges	(91,227)
	\$ 43,955

**Change in Net Position of governmental activities**

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

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**EAST JASPER SCHOOL DISTRICT**  
**Fiduciary Funds**

**Exhibit E**

**Statement of Fiduciary Assets and Liabilities**

**June 30, 2014**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 299,362
Due from other governments	471
Due from other funds	4,121
Total Assets	<u>\$ 303,954</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 295,992
Due to other funds	3,325
Due to student clubs	4,637
Total Liabilities	<u>\$ 303,954</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, 2014

### 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 county 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, 2014

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.

Limited Tax Note Series 2011 Fund – This is a debt service fund that accounts for the revenues associated with ad valorem taxes levied for the repayment of school district debt.

16<sup>th</sup> Section Principal Fund – This is a permanent fund that accounts for the non-expendable revenues associated with earnings on sixteenth section lands and the investment earnings of these non-expendable resources.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the payroll expenditure control cycle.

Accounts Payable Clearing Fund – This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the non-payroll expenditure control cycle.

Student Club Account Funds – These funds are fiduciary funds that account for the assets and liabilities associated with student club activities.

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.

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2014

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

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

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

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

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

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

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

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.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

6. Capital Assets

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

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

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.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972). The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retire

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

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.

10. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the formal order of the School Board to approve certain committed fund balances. There were no committed fund balance amounts at June 30, 2014.

*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 business manager pursuant to authorization established by school board policy.

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

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

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**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 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 \$5,232,355 and \$299,362, 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, 2014, none of the district's bank balance of \$5,800,994 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of the school district's cash with fiscal agents was \$385,765. This amount represents proceeds from the issuance of certificates of participation held by the banking institution awaiting draw-down to match construction expenditures.

**Investments**

As of June 30, 2014, the district held the following investments. \$560,425 of these investments are shown as restricted assets on the Statement of Net Position.

<u>Investment Type</u>	<u>Maturity (In Years)</u>	<u>Fair Value</u>
Certificates of Deposit	Less than 1	\$ <u>730,691</u>

*Interest Rate Risk.* The district does not have a formal investment policy that limits investment maturities as a means of

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

managing its exposure to fair value losses arising from increasing interest rates.

*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. As of June 30, 2014, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issue 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, 2014, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Certificates of Deposit - Magnolia State Bank	\$ <u>730,691</u>	100

**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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 130,369
	Fiduciary Funds	3,325
Other governmental funds	General Fund	3,318
	Limited Tax Note Series 2011 Fund	330,545
Fiduciary funds	General Fund	4,121
Total		<u>\$ 471,678</u>

The interfund balances represent loans created by negative individual fund cash balances in a pooled bank account caused by the time lag between expending federal funds and receiving reimbursement for those expenditures. Interfund balances also represent loan transactions between funds and amounts due to and from the clearing funds to and from governmental funds.

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 197,843
Other governmental funds	General Fund	438,608
Total		<u>\$ 636,451</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$2,451,837 and the investment balance, totaling \$560,425, of the Sixteenth Section Principal Fund (Permanent Fund), the cash with fiscal agents balance, totaling \$385,765, and amount

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

due from other governments, totaling \$102,705, of the MAEP Refunding Series 2006 Debt Service Fund and the QSCB Sinking Fund Debt Service Fund, which is legally restricted and may not be used for purposes that support the district's programs. Total restricted assets reported on the Statement of Net Position is \$3,500,732.

**Note 5 – Capital Assets**

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

	Balance 7/1/2013	Increases	Decreases	Adjustments	Balance 6/30/2014
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,500				1,500
<b>Total non-depreciable capital assets</b>	<b>1,500</b>	-	-		<b>1,500</b>
<u>Depreciable capital assets:</u>					
Buildings	14,279,429				14,279,429
Building improvements	1,815,296				1,815,296
Improvements other than buildings	397,457				397,457
Mobile equipment	1,628,592	464,710	277,129		1,816,173
Furniture and equipment	741,468	60,198	147,650	334,540	988,556
<b>Total depreciable capital assets</b>	<b>18,862,242</b>	<b>524,908</b>	<b>424,779</b>	<b>334,540</b>	<b>19,296,911</b>
<u>Less accumulated depreciation for:</u>					
Buildings	3,085,820	280,668			3,366,488
Building improvements	182,486	72,612			255,098
Improvements other than buildings	134,288	15,899			150,187
Mobile equipment	1,375,132	97,155	249,417		1,222,870
Furniture and equipment	480,322	186,620	146,173	110,398	631,167
<b>Total accumulated depreciation</b>	<b>5,258,048</b>	<b>652,954</b>	<b>395,590</b>	<b>110,398</b>	<b>5,625,810</b>
<b>Total depreciable capital assets, net</b>	<b>13,604,194</b>	<b>(128,046)</b>	<b>29,189</b>	<b>224,142</b>	<b>13,671,101</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 13,605,694</b>	<b>(128,046)</b>	<b>29,189</b>	<b>224,142</b>	<b>13,672,601</b>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 385,593
Support services	262,817
Non-instructional	4,544
<b>Total depreciation expense - Governmental activities</b>	<b>\$ 652,954</b>

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation bonds payable	\$ 8,980,000		310,000	8,670,000	400,000
B. Limited obligation refunding bonds payable	920,000		169,000	751,000	175,000
C. Certificates of participation payable	95,905		46,556	49,349	49,349
D. Shortfall notes payable	156,108		55,069	101,039	56,435
E. Qualified school construction bonds payable	2,200,000		210,000	1,990,000	-
F. Compensated absences payable	64,089	3,097		67,186	3,358
Subtotal	\$ 12,416,102	3,097	790,625	11,628,574	684,142

**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	\$ 8,670,000

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 400,000	381,740	781,740
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
2020-2024	2,915,000	1,118,560	4,033,560
2025-2029	3,565,000	449,948	4,014,948
Total	\$ 8,670,000	3,257,258	11,927,258

The 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, 2014, the amount of outstanding bonded indebtedness was equal to 10% of property assessments as of October 1, 2013.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

Beginning on July 1, 2014, 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 the 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.

**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, series 2006	3.88%	15-Dec-06	1-Feb-18	\$ 1,790,000	\$ 751,000

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 175,000	29,139	204,139
2016	182,000	22,349	204,349
2017	189,000	15,287	204,287
2018	205,000	7,954	212,954
Total	\$ 751,000	74,729	825,729

This 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 \$825,729. Principal and interest paid for the current year and total State Minimum Adequate Education Program revenues were \$204,696 and \$3,983,562, respectively.

**C. Certificates of participation payable**

As more fully explained in Note 14, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation	6.00%	7-Jul-94	4-Jul-14	\$ 600,000	\$ 49,349

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 49,349	1,480	50,829
Total	\$ 49,349	1,480	50,829

The debt will be retired from the EEF – Buildings and Buses Fund.

The certificates of participation payable were secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi in the form of sales tax revenues for buildings and buses from the Education Enhancement Fund ("EEF") created under Section 37-61-33 Mississippi Code Ann. (1972). The amount of the annual pledge was \$45,202, which was 100% of such expected annual revenues. The pledge ended June 30, 2014.

**D. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall notes, series 2011	2.50%	25-Oct-11	25-Oct-14	\$ 37,783	\$ 12,907
2. Shortfall notes, series 2012	2.44%	30-Aug-12	30-Aug-15	130,609	88,132
Total				\$ 168,392	\$ 101,039

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

1. Shortfall notes payable issued October 25, 2011:

Year Ending June 30	Principal	Interest	Total
2015	\$ 12,907	637	13,544
Total	\$ 12,907	637	13,544

This debt will be retired from the Shortfall Note 2011 Fund.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

2. Shortfall notes payable issued August 20, 2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 43,528	2,180	45,708
2016	44,604	1,104	45,708
<b>Total</b>	<b>\$ 88,132</b>	<b>3,284</b>	<b>91,416</b>

This debt will be retired from the Shortfall Note 2012 Fund.

Total shortfall note payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 56,435	2,817	59,252
2016	44,605	1,103	45,708
<b>Total</b>	<b>\$ 101,040</b>	<b>3,920</b>	<b>104,960</b>

**E. Qualified school construction bonds payable**

As more fully explained in Note 15, 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	0.00%	24-Feb-11	1-Dec-25	\$ 2,200,000	\$ 1,990,000
<b>Total</b>				<b>\$ 2,200,000</b>	<b>\$ 1,990,000</b>

**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.

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

In prior years, the East Jasper 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, 2014, \$720,000 of bonds outstanding are defeased.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

**Note 8 – Other Commitments**

Operating Leases:

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

1. Three (3) postage machines
2. Two (2) Toshiba copiers
3. Four (4) Ricoh copiers
4. One (1) Ricoh duplicator

Lease expenditures for the year ended June 30, 2014, amounted to \$26,964.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2015	\$ 19,033
2016	\$ 7,319
2017	\$ 1,839
2018	\$ 876
	<u>\$ 29,067</u>

**Note 9 – Defined Benefit Pension Plan**

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of 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.

Funding Policy. 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, 2014 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, 2014, 2013 and 2012 were \$785,640, \$706,347 and \$629,238, respectively, which equaled the required contributions for each year.

**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 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.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

Year Ending June 30	Amount
2015	\$ 55,983
2016	54,086
2017	53,611
2018	46,411
2019	11,425
2020 – 2024	56,571
2025 – 2029	47,704
2030 – 2034	37,658
Thereafter	38,916
<b>Total</b>	<b>\$ 402,365</b>

**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. To correct prior year expenditures at the governmental fund level	\$ (27,364)
2. To correct prior year cost and accumulated depreciation of capital assets purchased in a prior year	224,142
<b>Total</b>	<b>\$ 196,778</b>

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

Fund	Explanation	Amount
General Fund	To correct prior year expenditures at the governmental fund level	\$ (27,364)
	<b>Total</b>	<b>\$ (27,364)</b>

**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 as described below, the district carries commercial

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2014

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 94 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 – Trust Certificates

A trust agreement dated June 1, 1994, was executed by and between the school district and Community Bank of Ellisville, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$600,000. Approximately \$590,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$10,000 was used to pay the costs of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which the ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

#### Note 15 – Qualified School Construction Bonds

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

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

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2014

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014, was \$373,850. 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.

<u>June 30</u>	<u>Amount</u>
2015	\$ 148,000
2016	141,000
2017	132,000
2018	132,000
2019	132,000
2020-2024	665,000
2025-2026	266,000
	<u>\$ 1,616,000</u>

**Note 16 – Insurance Loss Recoveries**

The East Jasper School District received \$13,445 in insurance loss recoveries related to damages caused by a fire at the gym during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function on the Statement of Activities.

**Note 17 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the East Jasper School District evaluated the activity of the district through March 20, 2015, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

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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, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,075,344	3,455,630	3,447,581	380,286	(8,049)
State sources	3,768,064	3,876,398	3,753,205	108,334	(123,193)
Federal sources	0	49,317	42,824	49,317	(6,493)
<b>Total Revenues</b>	<b>6,843,408</b>	<b>7,381,345</b>	<b>7,243,610</b>	<b>537,937</b>	<b>(137,735)</b>
<b>Expenditures:</b>					
Instruction	3,974,101	3,851,432	3,524,067	122,669	327,365
Support services	3,695,515	4,979,393	4,541,813	(1,283,878)	437,580
Noninstructional services	2,600	19,957	19,813	(17,357)	144
Debt service:					
Interest	6,407	6,407	6,407	0	0
<b>Total Expenditures</b>	<b>7,678,623</b>	<b>8,857,189</b>	<b>8,092,100</b>	<b>(1,178,566)</b>	<b>765,089</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(835,215)</b>	<b>(1,475,844)</b>	<b>(848,490)</b>	<b>(640,629)</b>	<b>627,354</b>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	0	13,445	13,445	13,445	0
Sale of transportation equipment	0	4,960	4,960	4,960	0
Operating transfers in	1,039,115	708,452	438,608	(330,663)	(269,844)
Other financing sources	0	155,500	155,500	155,500	0
Operating transfers out	(360,489)	(467,700)	(197,843)	(107,211)	269,857
<b>Total Other Financing Sources (Uses)</b>	<b>678,626</b>	<b>414,657</b>	<b>414,670</b>	<b>(263,969)</b>	<b>13</b>
<b>Net Change in Fund Balances</b>	<b>(156,589)</b>	<b>(1,061,187)</b>	<b>(433,820)</b>	<b>(904,598)</b>	<b>627,367</b>
<b>Fund Balances:</b>					
July 1, 2013, as originally presented			1,189,639		
Adjustments			(27,364)		
July 1, 2013, as adjusted			1,162,275		
June 30, 2014			728,455		

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

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## EAST JASPER SCHOOL DISTRICT

### Notes to the Required Supplementary Information For the Year Ended June 30, 2014

#### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund 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, 2014**

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	\$ 233,829
National school lunch program	10.555	470,098
Total child nutrition cluster		<u>703,927</u>
Fresh fruit and vegetable program	10.582	23,623
<b>Total U.S. Department of Agriculture</b>		<u><b>727,550</b></u>
<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	40,859
<b>Total Federal Communications Commission</b>		<u><b>40,859</b></u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - grants to states	84.048	13,656
Title I grants to local educational agencies	84.010	404,581
Rural and low	84.358	10,608
Improving teacher quality-State Grants	84.367	114,824
Subtotal		<u>543,669</u>
Special education cluster:		
Special education - grants to states	84.027	237,923
Special education - preschool grants	84.173	10,158
Total special education cluster		<u>248,081</u>
<b>Total U.S. Department of Education</b>		<u><b>791,750</b></u>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	1,964
<b>Total Department of Health and Human Services</b>		<u><b>1,964</b></u>
<b>Total for All Federal Awards</b>		<u><b>\$ 1,562,123</b></u>

**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, 2014**

Expenditures	Total	Instruction and Other Student Expenditures			
		Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 6,953,261	4,026,514	667,045	516,884	1,742,818
Other	4,706,094	691,873	226,635	45,212	3,742,374
<b>Total</b>	<b>\$ 11,659,355</b>	<b>4,718,387</b>	<b>893,680</b>	<b>562,096</b>	<b>5,485,192</b>
Total number of students *	945				
Cost per student	\$ 12,338	4,993	946	595	5,804

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**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 3,447,581	3,086,339	2,946,234	2,913,872
State sources	3,753,205	3,925,068	3,947,544	3,780,078
Federal sources	42,824	536,557	129,882	59,576
<b>Total Revenues</b>	<b>7,243,610</b>	<b>7,547,964</b>	<b>7,023,660</b>	<b>6,753,526</b>
<b>Expenditures:</b>				
Instruction	3,524,067	3,553,915	3,593,857	3,427,822
Support services	4,541,813	4,526,963	3,600,351	3,626,422
Noninstructional services	19,813	1,684	4,250	8,199
Debt service:				
Interest	6,407	9,341	12,109	14,720
<b>Total Expenditures</b>	<b>8,092,100</b>	<b>8,091,903</b>	<b>7,210,567</b>	<b>7,077,163</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(848,490)</b>	<b>(543,939)</b>	<b>(186,907)</b>	<b>(323,637)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of shortfall loans		89,892	37,783	
Insurance loss recoveries	13,445	93,416		3,677
Sale of transportation equipment	4,960			
Operating transfers in	438,608	404,673	457,309	410,554
Other financing sources	155,500			937
Operating transfers out	(197,843)	(250,740)	(119,243)	(181,373)
Other financing uses		(2,780)		
<b>Total Other Financing Sources (Uses)</b>	<b>414,670</b>	<b>334,461</b>	<b>375,849</b>	<b>233,795</b>
<b>Net Change in Fund Balances</b>	<b>(433,820)</b>	<b>(209,478)</b>	<b>188,942</b>	<b>(89,842)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,189,639	1,298,830	1,116,238	1,208,558
Prior period adjustments	(27,364)	100,287	(6,350)	(2,478)
Beginning of period, as restated	1,162,275	1,399,117	1,109,888	1,206,080
End of Period	\$ 728,455	1,189,639	1,298,830	1,116,238

\*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**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 4,654,550	4,138,575	3,960,387	3,941,048
State sources	4,283,003	4,422,858	4,392,695	4,183,856
Federal sources	1,587,120	1,976,565	2,108,649	2,769,547
Sixteenth section sources	449,136	304,331	743,770	678,442
<b>Total Revenues</b>	<b>10,973,809</b>	<b>10,842,329</b>	<b>11,205,501</b>	<b>11,572,893</b>
<b>Expenditures:</b>				
Instruction	4,299,357	4,394,366	4,522,246	4,904,270
Support services	5,279,708	4,976,085	4,788,504	4,564,293
Noninstructional services	681,076	694,292	675,334	708,642
Sixteenth section	119,674	79,123	117,320	112,714
Facilities acquisition and construction		2,208,677	497,802	5,230,569
Debt service:				
Principal	790,625	569,672	684,241	754,591
Interest	483,311	494,532	521,716	536,073
Other	5,604	5,655	5,451	32,622
<b>Total Expenditures</b>	<b>11,659,355</b>	<b>13,422,402</b>	<b>11,812,614</b>	<b>16,843,774</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(685,546)	(2,580,073)	(607,113)	(5,270,881)
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	13,445	93,416		3,677
Bonds and notes issued				2,425,000
Payments held by escrow agent	290,770	288,770	192,953	
Proceeds of shortfall loans		130,609	37,783	
Sale of transportation equipment	4,960			
Operating transfers in	636,451	655,413	970,799	662,564
Other financing sources	155,500		16	5,181
Payments to escrow agent	(290,770)	(288,770)	(192,953)	
Operating transfers out	(636,451)	(655,413)	(970,799)	(662,564)
Other financing uses		(2,780)		
<b>Total Other Financing Sources (Uses)</b>	<b>173,905</b>	<b>221,245</b>	<b>37,799</b>	<b>2,433,858</b>
<b>Net Change in Fund Balances</b>	<b>(511,641)</b>	<b>(2,358,828)</b>	<b>(569,314)</b>	<b>(2,837,023)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	7,145,745	9,402,495	9,977,711	12,816,549
Prior period adjustments	(27,364)	100,287	(6,450)	(2,478)
Beginning of period, as restated	7,118,381	9,502,782	9,971,261	12,814,071
Increase (Decrease) in reserve for inventory	3,554	1,791	548	663
<b>End of Period</b>	<b>\$ 6,610,294</b>	<b>7,145,745</b>	<b>9,402,495</b>	<b>9,977,711</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  
Certified Public Accountant  
P. O. Box 7124 • Meridian, MS 39304

Accounting and Auditing Services  
Email: sesmithcpa@msn.com

Telephone: 601-482-8040  
Cell: 601-938-5717

Member MSCPA

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*

To the School Board  
East Jasper School District

We have audited, in accordance with the auditing standards 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, 2014, 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 20, 2015.

#### **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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. (Finding 2014-01)

#### **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*.

## School District's Response to Findings

East Jasper School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. East Jasper School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of this Report

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



Suzanne E. Smith, CPA, PLLC  
Meridian, MS

March 20, 2015

*Suzanne E. Smith, CPA, PLLC*  
*Certified Public Accountant*  
P. O. Box 7124 • Meridian, MS 39304

Accounting and Auditing Services  
Email: [sesmithcpa@msn.com](mailto:sesmithcpa@msn.com)

Telephone: 601-482-8040  
Cell: 601-938-5717

Member MSCPA

Independent Auditor's Report on Compliance for Each Major Federal Award Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the 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, 2014. 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, 2014.

**Report on Internal Control Over Compliance**

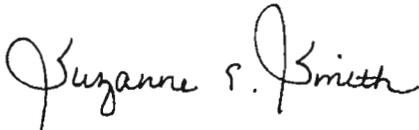
Management of East Jasper School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Jasper School District's internal control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

March 20, 2015

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

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Suzanne E. Smith, CPA, PLLC  
Certified Public Accountant  
P. O. Box 7124 • Meridian, MS 39304

Accounting and Auditing Services  
Email: sesmithcpa@msn.com

Telephone: 601-482-8040  
Cell: 601-938-5717

Member MSCPA

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, 2014, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated March 20, 2015. 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."

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.

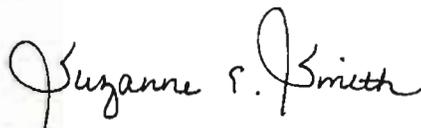
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

Meridian, MS  
March 20, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I: Summary of Auditor's Results**

Financial Statements:

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

Federal Awards:

- |  |               |
|--|---------------|
| 4. Internal control over major programs:                       |               |
| a. Material weakness(es) identified? (Yes/No)                  | No            |
| b. Significant deficiency(ies) identified? (Yes/None reported) | 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? (Yes/No) | No |
|--|----|

- |                                      |  |
|--------------------------------------|--|
| 7. Identification of major programs: |  |
|--------------------------------------|--|

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
|---|-----------|

- |  |    |
|--|----|
| 9. Auditee qualified as low-risk auditee? (yes/no) | No |
|--|----|

**Section II: Financial Statement Findings**

*Significant Deficiency not considered a Material Weakness*

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

Criteria: The school district is responsible for establishing a system of internal controls surrounding the receipt of student activity funds and the subsequent disbursement of those funds, Such a system of

internal controls should be designed to protect student activity fund assets and to maintain the integrity of the financial information detailing the fund transactions.

Condition: Out of a sample of 46 student activity fund receipts, we noted three (3) instances of untimely deposits. Two (2) of the three (3) deposits were made two weeks after the receipts were dated. Substantive and control testing in the area of non-payroll expenditures revealed two (2) instances where receiving documentation was inadequate for student activity fund invoices that were paid.

Cause: The cause of the noted deficiencies is likely a failure by school personnel to follow established procedures.

Effect: The control risks surrounding student activity fund receipts/deposits and purchasing/disbursements are increased as a result of the deficiencies noted. There is the risk that misstatements or misappropriations may exist and not be detected by management during the normal course of their duties.

Recommendation: We recommend that the controls and control procedures surrounding student activity fund accounting be reviewed and strengthened.

**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.

AUDITEE'S CORRECTIVE ACTION PLAN

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# *East Jasper School District*

Administrative Offices  
P.O. Drawer E  
Heidelberg, MS

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

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## AUDITEE'S CORRECTIVE ACTION PLAN

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

### **District Corrective Action:**

The district will adhere to the recommendation of the auditor by reviewing and strengthening the control procedures surrounding student activity funds. The district will comply and insure that receipts are deposited in a timely manner. We will provide additional training to school personnel to remind them that receiving reports/documentation is required prior to invoice payment.

### **Who will Implement the Corrective Action:**

Principals with oversight from Central Office Administration

### **When the Corrective Action will Begin:**

The corrective action plan will begin immediately.

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