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EAST JASPER SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

EAST JASPER SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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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, 2016, 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 our 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 opinion.

Opinion

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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-12 and 41-46 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017, 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.

McKenzie CPA, PLLC
Brandon, Mississippi
March 28, 2017

McKenzie CPA, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 2016. 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 2016 increased \$1,226,922, which represents a 98% increase from fiscal year 2015. Total net position for 2015 decreased \$9,792,591, including a prior period adjustment of (\$10,381,417), which represents a 115% decrease from fiscal year 2014.
- General revenues amounted to \$9,927,722 and \$9,228,323, or 81% and 80% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,379,309, or 19% of total revenues for 2016, and \$2,284,684, or 20% of total revenues for 2015.
- The District had \$11,080,109 and \$10,924,181 in expenses for fiscal years 2016 and 2015; only \$2,379,309 for 2016 and \$2,284,684 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,927,722 for 2016 and \$9,228,323 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,742,124 in revenues and \$7,538,332 in expenditures for 2016, and \$7,888,724 in revenues and \$7,774,594 in expenditures in 2015. The General Fund's fund balance increased by \$1,219,159 from 2015 to 2016, and increased by \$287,775 from 2014 to 2015, including a prior period adjustment of \$270,612.
- Capital assets, net of accumulated depreciation, decreased by \$476,729 for 2016 and decreased by \$632,802 for 2015. The decrease for 2016 was due to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$634,568 for 2016 and decreased by \$686,065 for 2015. The decrease for 2016 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$2,037 for 2016 and decreased by \$5,282 for 2015.

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 non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them 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.

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$29,583 as of June 30, 2016.

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.

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 4,980,551	\$ 3,613,379	37.84 %
Restricted assets	3,893,955	3,732,620	4.32 %
Capital assets, net	12,563,070	13,039,799	(3.66) %
Total assets	<u>21,437,576</u>	<u>20,385,798</u>	5.16 %
 Deferred outflows of resources	 <u>2,270,821</u>	 <u>1,005,627</u>	 125.81 %
Current liabilities	423,531	385,061	9.99 %
Long-term debt outstanding	10,307,941	10,942,509	(5.80) %
Net pension liability	12,673,110	9,887,146	28.18 %
Total liabilities	<u>23,404,582</u>	<u>21,214,716</u>	10.32 %
 Deferred inflows of resources	 <u>333,398</u>	 <u>1,433,214</u>	 (76.74) %
 Net position:			
Net investment in capital assets	2,373,534	2,203,799	7.70 %
Restricted	5,777,154	5,501,101	5.02 %
Unrestricted	(8,180,271)	(8,961,405)	8.72 %
Total net position	<u>\$ (29,583)</u>	<u>\$ (1,256,505)</u>	97.65 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (8,180,271)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>10,735,687</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,555,416</u>

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

- Decrease in net capital assets in the amount of \$476,729.
- The principal retirement of \$636,605 of long-term debt.
- Recognition of the net pension liability in the amount of \$12,673,110.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$12,307,031 and \$11,513,007, respectively. The total cost of all programs and services was \$11,080,109 for 2016 and \$10,924,181 for 2015.

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 346,578	\$ 224,579	54.32 %
Operating grants and contributions	2,032,731	2,060,105	(1.33) %
General revenues:			
Property taxes	4,630,395	4,289,287	7.95 %
Grants and contributions not restricted	4,730,344	4,494,710	5.24 %
Investment earnings	44,290	30,792	43.84 %
Sixteenth section sources	308,180	139,688	120.62 %
Other	214,513	273,846	(21.67) %
Total revenues	<u>12,307,031</u>	<u>11,513,007</u>	6.90 %
Expenses:			
Instruction	4,368,438	4,108,918	6.32 %
Support services	4,235,910	4,816,351	(12.05) %
Non-instructional	618,237	664,676	(6.99) %
Sixteenth section	93,490	90,860	2.89 %
Pension expense	1,238,180	685,721	80.57 %
Interest on long-term liabilities	525,854	557,655	(5.70) %
Total expenses	<u>11,080,109</u>	<u>10,924,181</u>	1.43 %
Increase (Decrease) in net position	<u>1,226,922</u>	<u>588,826</u>	108.37 %
Net Position, July 1, as previously reported	<u>(1,256,505)</u>	<u>8,536,086</u>	(114.72) %
Prior Period Adjustment	<u>-</u>	<u>(10,381,417)</u>	100.00 %
Net Position, July 1, as restated	<u>(1,256,505)</u>	<u>(1,845,331)</u>	31.91 %
Net Position, June 30	<u><u>\$ (29,583)</u></u>	<u><u>\$ (1,256,505)</u></u>	97.65 %

Governmental activities

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

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 4,368,438	\$ 4,108,918	6.32 %
Support services	4,235,910	4,816,351	(12.05) %
Non-instructional	618,237	664,676	(6.99) %
Sixteenth section	93,490	90,860	2.89 %
Pension Expense	1,238,180	685,721	80.57 %
Interest on long-term liabilities	525,854	557,655	(5.70) %
Total expenses	\$ 11,080,109	\$ 10,924,181	1.43 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (3,360,995)	\$ (3,412,966)	(1.52) %
Support services	(3,713,499)	(4,097,790)	(9.38) %
Non-instructional	198,237	97,804	102.69 %
Sixteenth section	(60,509)	(90,860)	(33.40) %
Pension Expense	(1,238,180)	(685,721)	80.57 %
Interest on long-term liabilities	(525,854)	(449,964)	16.87 %
Total net (expense) revenue	\$ (8,700,800)	\$ (8,639,497)	0.71 %

- Net cost of governmental activities (\$8,700,800 for 2016 and \$8,639,497 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$4,630,395 for 2016 and \$4,289,287 for 2015) and state and federal revenues (\$4,730,344 for 2016 and \$4,494,710 for 2015). In addition, there was \$308,180 and \$139,688 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$44,290 for 2016 and \$30,792 for 2015.

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 \$8,552,358, an increase of \$1,480,763, which includes an increase in inventory of \$4,632. \$2,101,730, or 25% 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 \$6,450,628, or 75% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,219,159. The fund balance of Other Governmental Funds

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

showed an increase in the amount of \$261,913. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service Fund	\$	42,578
Sixteenth Section Principal Fund	\$	(42,887)

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. Budget revisions during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the 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, 2016, the District's total capital assets were \$19,281,877, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. Total accumulated depreciation as of June 30, 2016, was \$6,718,807, and total depreciation expense for the year was \$476,729, resulting in total net capital assets of \$12,563,070.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 1,500	\$ 1,500	0.00 %
Buildings	10,284,026	10,563,046	(2.64) %
Building improvements	1,426,388	1,493,293	(4.48) %
Improvements other than buildings	220,295	232,535	(5.26) %
Mobile equipment	486,542	537,907	(9.55) %
Furniture and equipment	144,319	211,518	(31.77) %
Total	<u>\$ 12,563,070</u>	<u>\$ 13,039,799</u>	<u>(3.66) %</u>

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, 2016

Debt Administration. At June 30, 2016, the District had \$10,307,941 in outstanding long-term debt, of which \$622,197 is due within one year. During the fiscal year, the District made principal payments totaling \$636,605 on outstanding long-term debt. The liability for compensated absences increased \$2,037 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 7,860,000	\$ 8,270,000	(4.96) %
Limited obligation refunding bonds payable	394,000	576,000	(31.60) %
Shortfall notes payable	-	44,605	(100.00) %
Qualified school construction bonds payable	1,990,000	1,990,000	0.00 %
Compensated absences payable	63,941	61,904	3.29 %
Total	<u>\$ 10,307,941</u>	<u>\$ 10,942,509</u>	<u>(5.80) %</u>

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

CURRENT ISSUES

The East Jasper School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

EAST JASPER SCHOOL DISTRICT

Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,216,617
Investments	170,683
Due from other governments	574,722
Inventories	12,646
Prepaid items	5,883
Restricted assets	3,893,955
Capital assets, non-depreciable:	
Land	1,500
Capital assets, net of accumulated depreciation:	
Buildings	10,284,026
Building improvements	1,426,388
Improvements other than buildings	220,295
Mobile equipment	486,542
Furniture and equipment	144,319
Total Assets	<u>21,437,576</u>
Deferred Outflows of Resources	
Deferred outflow related to pensions	2,270,821
Total Deferred Outflows of Resources	<u>2,270,821</u>
Liabilities	
Accounts payable and accrued liabilities	322,148
Interest payable on long-term liabilities	101,383
Long-term liabilities, due within one year:	
Capital related liabilities	619,000
Non-capital related liabilities	3,197
Long-term liabilities, due beyond one year:	
Capital related liabilities	9,625,000
Non-capital related liabilities	60,744
Net pension liability	12,673,110
Total Liabilities	<u>23,404,582</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	333,398
Total Deferred Inflows of Resources	<u>333,398</u>
Net Position	
Net investment in capital assets	2,373,534
Restricted for:	
Expendable:	
School-based activities	412,963
Debt service	1,655,591
Forestry improvements	130,708
Unemployment benefits	19,503
Non-expendable:	
Sixteenth section	3,558,389
Unrestricted	(8,180,271)
Total Net Position (deficit)	<u>\$ (29,583)</u>

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

EAST JASPER SCHOOL DISTRICT

Statement of Activities For the Year Ended June 30, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 4,368,438	\$ 224,657	\$ 782,786	\$ -	\$ (3,360,995)
Support services	4,235,910	-	522,411	-	(3,713,499)
Non-instructional	618,237	88,940	727,534	-	198,237
Sixteenth section	93,490	32,981	-	-	(60,509)
Pension expense	1,238,180	-	-	-	(1,238,180)
Interest on long-term liabilities	525,854	-	-	-	(525,854)
Total Governmental Activities	<u>\$ 11,080,109</u>	<u>\$ 346,578</u>	<u>\$ 2,032,731</u>	<u>\$ -</u>	<u>\$ (8,700,800)</u>

General Revenues:

Taxes:

General purpose levies 3,567,024

Debt purpose levies 1,063,371

Unrestricted grants and contributions:

State 4,575,532

Federal 154,812

Unrestricted investment earnings 44,290

Sixteenth section sources 308,180

Other 214,513

Total General Revenues 9,927,722

Change in Net Position 1,226,922

Net Position (deficit) - Beginning (1,256,505)

Net Position (deficit) - Ending \$ (29,583)

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

EAST JASPER SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2016

Exhibit C

	Major Funds					
	General	School	Sixteenth	Other	Total	
	Fund	Food Service	Section Principal	Governmental	Governmental	
	Fund	Fund	Fund	Funds	Funds	
Assets						
Cash and cash equivalents	\$ 2,464,366	\$ 279,446	\$ 2,570,943	\$ 1,532,572	\$ 6,847,327	
Cash with fiscal agents	-	-	-	11,650	11,650	
Investments	-	77,233	563,535	781,510	1,422,278	
Due from other governments	195,734	175	8,536	369,886	574,331	
Due from other funds	120,767	9,974	56,476	300	187,517	
Advance to other funds	-	-	380,238	-	380,238	
Inventories	-	12,646	-	-	12,646	
Prepaid items	5,883	-	-	-	5,883	
Total assets	\$ 2,786,750	\$ 379,474	\$ 3,579,728	\$ 2,695,918	\$ 9,441,870	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 114,347	\$ 115,000	\$ -	\$ 92,801	\$ 322,148	
Due to other funds	56,776	-	-	130,350	187,126	
Advances from other funds	380,238	-	-	-	380,238	
Total Liabilities	551,361	115,000	-	223,151	889,512	
Fund Balances:						
Nonspendable:						
Inventory	-	12,646	-	-	12,646	
Permanent fund principal	-	-	3,178,151	-	3,178,151	
Advances	-	-	380,238	-	380,238	
Prepaid items	5,883	-	-	-	5,883	
Restricted:						
Ad valorem	39,178	-	-	-	39,178	
Debt service	-	-	-	1,756,974	1,756,974	
Capital improvement purposes	-	-	-	54,464	54,464	
Forestry improvement purposes	-	-	-	130,708	130,708	
Grant activities	-	251,828	-	103,428	355,256	
Unemployment benefits	-	-	-	19,503	19,503	
Assigned:						
Student activities	80,926	-	-	-	80,926	
Reading initiative activities	7,672	-	-	-	7,672	
Capital improvement purposes	-	-	21,339	407,690	429,029	
Unassigned	2,101,730	-	-	-	2,101,730	
Total Fund Balances	2,235,389	264,474	3,579,728	2,472,767	8,552,358	
Total Liabilities and Fund Balances	\$ 2,786,750	\$ 379,474	\$ 3,579,728	\$ 2,695,918	\$ 9,441,870	

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

EAST JASPER SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Exhibit C-1

Total fund balances for governmental funds **\$ 8,552,358**

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 1,500	
Buildings	14,197,016	
Building improvements	1,815,296	
Improvements other than buildings	397,457	
Mobile equipment	1,827,212	
Furniture and equipment	1,043,396	
Accumulated depreciation	<u>(6,718,807)</u>	12,563,070

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

Net pension liability	(12,673,110)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,270,821	
Deferred inflows of resources related to pensions	<u>(333,398)</u>	(10,735,687)

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

General obligation bonds	(7,860,000)	
Limited obligation refunding bonds	(394,000)	
Other bonds payable	(1,990,000)	
Compensated absences	(63,941)	
Accrued interest payable	<u>(101,383)</u>	(10,409,324)

Net Position of governmental activities **\$ (29,583)**

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

EAST JASPER SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2016

	Major Funds					
	General	School	Sixteenth	Other	Total	
	Fund	Food Service	Section Principal	Governmental	Governmental	
	Fund	Fund	Fund	Funds	Funds	
Revenues:						
Local sources	\$ 4,055,352	\$ 38,799	\$ 1,967	\$ 1,085,950	\$ 5,182,068	
State sources	4,356,998	6,934	-	402,467	4,766,399	
Federal sources	51,506	720,499	-	1,224,672	1,996,677	
Sixteenth section sources	278,268	-	49,464	32,981	360,713	
Total Revenues	8,742,124	766,232	51,431	2,746,070	12,305,857	
Expenditures:						
Instruction	3,493,360	-	-	952,373	4,445,733	
Support services	3,969,358	60,676	-	456,110	4,486,144	
Noninstructional services	1,889	579,008	-	52,903	633,800	
Sixteenth section	56,928	-	-	36,562	93,490	
Debt service:						
Principal	-	-	-	636,605	636,605	
Interest	16,797	-	-	512,691	529,488	
Other	-	-	-	5,640	5,640	
Total Expenditures	7,538,332	639,684	-	2,652,884	10,830,900	
Excess (Deficiency) of Revenues over (under) Expenditures	1,203,792	126,548	51,431	93,186	1,474,957	
Other Financing Sources (Uses):						
Payments held by escrow agent	-	-	-	141,000	141,000	
Payment to QSCB debt escrow agent	-	-	-	(141,000)	(141,000)	
Operating transfers in	221,970	26,398	-	207,777	456,145	
Other financing sources	1,174	-	-	-	1,174	
Operating transfers out	(207,777)	(115,000)	(94,318)	(39,050)	(456,145)	
Total Other Financing Sources (Uses)	15,367	(88,602)	(94,318)	168,727	1,174	
Net Change in Fund Balances	1,219,159	37,946	(42,887)	261,913	1,476,131	
Fund Balances:						
July 1, 2015	1,016,230	221,896	3,622,615	2,210,854	7,071,595	
Increase (Decrease) in inventory	-	4,632	-	-	4,632	
June 30, 2016	\$ 2,235,389	\$ 264,474	\$ 3,579,728	\$ 2,472,767	\$ 8,552,358	

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

EAST JASPER SCHOOL DISTRICT**Governmental Funds****Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2016****Exhibit D-1**

Net change in fund balances - total governmental funds	\$	1,476,131
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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	\$ -		
Depreciation expense	(476,729)		(476,729)

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	636,605		
Accrued interest payable	9,274		645,879

3. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(1,238,180)		
Recording of contributions made subsequent to the measurement date	817,226		(420,954)

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

Change in compensated absences	(2,037)		
Change in inventory	4,632		2,595

Change in Net Position of governmental activities	\$	1,226,922
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The notes to the financial statements are an integral part of this statement.

**EAST JASPER SCHOOL DISTRICT
Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities
June 30, 2016**

Exhibit E

	Agency Funds
	<hr/>
Assets	
Cash and cash equivalents	\$ 312,716
Due from other governments	106
	<hr/>
Total Assets	<u><u>\$ 312,822</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 305,931
Due to other funds	391
Due to student clubs	6,500
	<hr/>
Total Liabilities	<u><u>\$ 312,822</u></u>

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

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. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

School Food Service Fund - This is a special revenue fund that accounts for the local, state and federal revenues received and the expenditures incurred related to the District's Child Nutrition Program.

Sixteenth Section Principal Fund - This is a permanent fund that accounts for the non-spendable resources associated with sixteenth section land.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. Resources resulting from unspent proceeds of long-term debt are also reported as restricted assets on the Statement of Net Position.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 14 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

constraints on the specific purposes for which amounts in those funds can be spent.

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

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

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

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,581,545 (which includes \$734,218 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$312,716, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, none of the district's bank balance of \$8,127,963 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$11,650.

Investments

As of June 30, 2016, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	Less than 1 year	\$ 734,218
QSCB Construction Bonds Common Trust Funds 2012-A	N/A	Less than 1 year	688,060
Total			<u>\$ 1,422,278</u>

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

The district has the following recurring fair value measurements as of June 30, 2016:

- Certificates of deposit of \$734,218 are valued using quoted market prices (Level 1 inputs)
- QSCB Construction Bonds Common Trust Funds 2012-A of \$688,060 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, 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 issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2016, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit	\$ 734,218	52%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 120,376
	Fiduciary funds	391
School Food Service Fund	Other governmental funds	9,974
Sixteenth Section Principal Fund	General Fund	56,476
Other governmental funds	General Fund	300
Total		<u>\$ 187,517</u>

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 380,238
Total		<u>\$ 380,238</u>

Sixteenth section principal loans payable

The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. In accordance with Section 29-3-113, Miss. Code Ann. (1972) the district pays four percent interest on the balance.

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 41,266	\$ 15,210	\$ 56,476
2018	42,917	13,559	56,476
2019	44,634	11,842	56,476
2020	46,419	10,057	56,476
2021	48,276	8,200	56,476
2022 - 2024	156,726	12,702	169,428
Total	<u>\$ 380,238</u>	<u>\$ 71,570</u>	<u>\$ 451,808</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 207,777
School Food Service Fund	General Fund	115,000
Sixteenth Section Principal Fund	General Fund	94,318
Other governmental funds	General Fund	12,652
	School Food Service Fund	26,398
Total		<u>\$ 456,145</u>

Transfers represent indirect costs from the School Food Service Fund and other special revenue funds to the General Fund, the transfer of expendable sixteenth section revenues from the Sixteenth Section Principal Fund to the General Fund, operational transfers from the General Fund to other governmental funds, and other routine operating transfers.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$2,570,943 and \$563,535, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$11,650 of the MAEP Limited Obligation Refunding Bonds Debt Service Fund. Also, restricted assets includes the investment balance totaling \$688,060 of the Qualified School Construction Bonds Sinking Fund. The restricted assets also includes the cash balances totaling \$59,767 of the New Elementary School Capital Projects Fund and Series 2010A Capital Project Fund resulting from unspent proceeds of long-term debt. The total restricted assets shown on the Statement of Net Position is \$3,893,955.

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,500	\$	\$	1,500
Total non-depreciable capital assets	1,500	-	-	1,500
<u>Depreciable capital assets:</u>				
Buildings	14,197,016			14,197,016
Building improvements	1,815,296			1,815,296
Improvements other than buildings	397,457			397,457
Mobile equipment	1,827,212			1,827,212
Furniture and equipment	1,043,396			1,043,396
Total depreciable capital assets	19,280,377	-	-	19,280,377
<u>Less accumulated depreciation for:</u>				
Buildings	3,633,970	279,020		3,912,990
Building improvements	322,003	66,905		388,908
Improvements other than buildings	164,922	12,240		177,162
Mobile equipment	1,289,305	51,365		1,340,670
Furniture and equipment	831,878	67,199		899,077
Total accumulated depreciation	6,242,078	476,729	-	6,718,807
Total depreciable capital assets, net	13,038,299	(476,729)	-	12,561,570
Governmental activities capital assets, net	\$ 13,039,799	\$ (476,729)	\$ -	\$ 12,563,070

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 371,129
Support services	90,422
Non-instructional	15,178
Total depreciation expense - Governmental activities	\$ 476,729

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
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Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. General obligation bonds payable	\$ 8,270,000	\$	\$ 410,000	\$ 7,860,000	\$ 430,000
B. Limited obligation refunding bonds payable	576,000		182,000	394,000	189,000
C. Shortfall notes payable	44,605		44,605	-	-
D. Qualified school construction bonds payable	1,990,000			1,990,000	-
E. Compensated absences payable	61,904	2,037		63,941	3,197
Total	<u>\$ 10,942,509</u>	<u>\$ 2,037</u>	<u>\$ 636,605</u>	<u>\$ 10,307,941</u>	<u>\$ 622,197</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2009	3.75-5.30%	4/1/2009	4/1/2029	\$ 10,000,000	\$ 7,860,000
Total				<u>\$ 10,000,000</u>	<u>\$ 7,860,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 430,000	\$ 338,810	\$ 768,810
2018	460,000	316,020	776,020
2019	490,000	291,640	781,640
2020	515,000	265,670	780,670
2021	550,000	246,358	796,358
2022 – 2026	3,270,000	880,835	4,150,835
2027 – 2029	2,145,000	175,645	2,320,645
Total	<u>\$ 7,860,000</u>	<u>\$ 2,514,978</u>	<u>\$ 10,374,978</u>

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

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

June 30, 2016, the amount of outstanding bonded indebtedness was equal to 8% of property assessments as of October 1, 2015.

A portion of the general obligation bonds payable will be secured by the pledge of Educational Enhancement Fund (EEF) Buildings and Buses revenue that the school district receives from the State of Mississippi. Pledged EEF revenues will be used to pay approximately 5-9% of the total annual debt service payment on the general obligation bond issue until the final maturity of this debt on April 1, 2029. The proceeds of the general obligation bond issue were used for the construction of the New Elementary School and various renovations of other school buildings and facilities. The total remaining principal and interest to be paid on the bonds is \$10,374,978. Principal and interest paid for the current year and total EEF revenues were \$770,540 and \$45,201, respectively.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement					
refunding bonds, Series 2006	3.88%	12/15/2006	2/1/2018	\$ 1,790,000	\$ 394,000
Total				<u>\$ 1,790,000</u>	<u>\$ 394,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 189,000	\$ 15,287	\$ 204,287
2018	205,000	7,954	212,954
Total	<u>\$ 394,000</u>	<u>\$ 23,241</u>	<u>\$ 417,241</u>

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 \$417,241. Principal and interest paid for the current year and total State Minimum Adequate Education Program revenues were \$204,349 and \$4,482,637, respectively.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

C. Shortfall notes payable

This debt was paid in full during the year ended June 30, 2016.

D. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, Series 2011	6.47%	2/24/2011	12/1/2025	\$ 2,200,000	\$ 1,990,000
Total				<u>\$ 2,200,000</u>	<u>\$ 1,990,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$	\$ 128,753	\$ 128,753
2018		128,753	128,753
2019		128,753	128,753
2020		128,753	128,753
2021		128,753	128,753
2022 – 2026	1,990,000	643,765	2,633,765
Total	<u>\$ 1,990,000</u>	<u>\$ 1,287,530</u>	<u>\$ 3,277,530</u>

This debt will be retired from the QSCB Sinking Fund.

E. Compensated absences payable

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

Note 7 – 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 in the district's financial statements. On June 30, 2016, \$380,000 of bonds outstanding are defeased.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 8 – Other Commitments

Operating leases:

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

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

Lease expenditures for the year ended June 30, 2016, amounted to \$11,290.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2017	\$ 7,465
2018	5,812
Total	<u>\$ 13,277</u>

Note 9 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

EAST JASPER SCHOOL DISTRICT
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percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$817,227, \$806,625 and \$783,931, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school district reported a liability of \$12,673,110 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.081984 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.000529 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,238,180. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 293,788	\$
Net difference between projected and actual earnings on pension plan investments		333,398
Changes of assumptions	1,091,745	
Changes in proportion and differences between District contributions and proportionate share of contributions	68,061	
District contributions subsequent to the measurement date	817,227	
Total	\$ <u>2,270,821</u>	\$ <u>333,398</u>

\$817,227 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 386,223
2018	370,473
2019	178,123
2020	185,377

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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For the Year Ended June 30, 2016

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 16,704,320	\$ 12,673,110	\$ 9,327,959

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
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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.

Year Ending June 30	Amount
2017	\$ 59,695
2018	23,931
2019	18,854
2020	18,854
2021	14,949
2022 – 2026	67,446
2027 – 2031	37,697
2032 – 2036	32,382
2037 – 2041	14,177
Thereafter	12,385
Total	<u>\$ 300,370</u>

Note 11 – 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 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 13 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$103,306.

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, 2016 was \$688,060. 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.

Year Ending June 30	Amount
2017	\$ 132,000
2018	132,000
2019	132,000
2020	133,000
2021	133,000
2022 – 2026	665,000
Total	<u>\$ 1,327,000</u>

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position (deficit) amount of (\$8,180,271) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$817,227 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$1,453,594 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$333,398 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the East Jasper School District evaluated the activity of the district through March 28, 2017, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST JASPER SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,862,617	\$ 4,055,451	\$ 4,055,352	\$ 192,834	\$ (99)
State sources	4,248,670	4,356,998	4,356,998	108,328	-
Federal sources	181,889	51,506	51,506	(130,383)	-
Sixteenth section sources	220,182	278,268	278,268	58,086	-
Total Revenues	8,513,358	8,742,223	8,742,124	228,865	(99)
Expenditures:					
Instruction	4,274,151	3,493,360	3,493,360	780,791	-
Support services	5,075,411	3,969,358	3,969,358	1,106,053	-
Noninstructional services	19,759	1,889	1,889	17,870	-
Sixteenth section	52,858	56,118	56,928	(3,260)	(810)
Debt service:					
Interest	21,620	-	16,797	21,620	(16,797)
Total Expenditures	9,443,799	7,520,725	7,538,332	1,923,074	(17,607)
Excess (Deficiency) of Revenues over (under) Expenditures	(930,441)	1,221,498	1,203,792	2,151,939	(17,706)
Other Financing Sources (Uses):					
Bonds and notes issued	410,000	-	-	(410,000)	-
Operating transfers in	554,963	943,516	221,970	388,553	(721,546)
Other financing sources	-	1,174	1,174	1,174	-
Operating transfers out	(485,000)	(929,323)	(207,777)	(444,323)	721,546
Total Other Financing Sources (Uses)	479,963	15,367	15,367	(464,596)	-
Net Change in Fund Balances	(450,478)	1,236,865	1,219,159	1,687,343	(17,706)
Fund Balances:					
July 1, 2015	1,016,131	1,016,131	1,016,230	-	99
June 30, 2016	\$ 565,653	\$ 2,252,996	\$ 2,235,389	\$ 1,687,343	\$ (17,607)

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

EAST JASPER SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 32,910	\$ 38,799	\$ 38,799	\$ 5,889	\$ -
State sources	6,700	6,934	6,934	234	-
Federal sources	637,640	720,499	720,499	82,859	-
Total Revenues	677,250	766,232	766,232	88,982	-
Expenditures:					
Support services	56,831	60,676	60,676	(3,845)	-
Noninstructional services	574,706	574,376	579,008	330	(4,632)
Total Expenditures	631,537	635,052	639,684	(3,515)	(4,632)
Excess (Deficiency) of Revenues over (under) Expenditures	45,713	131,180	126,548	85,467	(4,632)
Other Financing Sources (Uses):					
Operating transfers in	-	26,398	26,398	26,398	-
Operating transfers out	(20,000)	(115,000)	(115,000)	(95,000)	-
Total Other Financing Sources (Uses)	(20,000)	(88,602)	(88,602)	(68,602)	-
Net Change in Fund Balances	25,713	42,578	37,946	16,865	(4,632)
Fund Balances:					
July 1, 2015	221,896	221,896	221,896	-	-
Increase (Decrease) in inventory	-	-	4,632	-	4,632
June 30, 2016	\$ 247,609	\$ 264,474	\$ 264,474	\$ 16,865	\$ -

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

East Jasper School District
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset) \$	12,673,110	9,887,146
District's proportionate share of the net pension liability (asset)	0.081984%	0.081455%
District's covered - employee payroll	5,121,429	4,977,340
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.4526%	198.6432%
Plan fiduciary net position as a percentage of the total pension liability	61.703983%	67.207687%

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

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

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

East Jasper School District
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 817,227	806,625
Contributions in relation to the contractually required contribution	817,227	806,625
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered - employee payroll	5,188,743	5,121,429
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

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

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

EAST JASPER SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

**EAST JASPER SCHOOL DISTRICT
Supplementary Information**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 243,331
National school lunch program	10.555	462,403
Summer Food Service Program for Children	10.559	42,686
Total child nutrition cluster		<u>748,420</u>
Fresh Fruit and Vegetable Program	10.582	22,617
Total passed-through Mississippi Department of Education		<u>771,037</u>
Total U.S. Department of Agriculture		<u>771,037</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	24,840
Total Federal Communications Commission		<u>24,840</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	446,568
Twenty-first Century Community Learning Centers	84.287	192,642
Rural Education	84.358	22,968
Improving teacher quality state grants	84.367	142,133
Subtotal		<u>804,311</u>
Special education cluster:		
Special education - grants to states	84.027	251,202
Special education - preschool grants	84.173	8,891
Total special education cluster		<u>260,093</u>
Total passed-through Mississippi Department of Education		<u>1,064,404</u>
Total U.S. Department of Education		<u>1,064,404</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	26,666
Total passed-through Mississippi Department of Education		<u>26,666</u>
Total U.S. Department of Health and Human Services		<u>26,666</u>
Total for All Federal Awards		<u><u>\$ 1,886,947</u></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.

EAST JASPER SCHOOL DISTRICT**Supplementary Information****Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds****For the Year Ended June 30, 2016**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,101,219	4,428,371	797,718	452,544	1,422,586
Other	3,729,681	831,695	249,039	55,984	2,592,963
Total	<u>\$ 10,830,900</u>	<u>5,260,066</u>	<u>1,046,757</u>	<u>508,528</u>	<u>4,015,549</u>
Total number of students *	<u>947</u>				
Cost per student	<u>\$ 11,436</u>	<u>5,554</u>	<u>1,105</u>	<u>537</u>	<u>4,240</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

EAST JASPER SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 4,055,352	3,654,255	\$ 3,447,581	\$ 3,086,339
State sources	4,356,998	4,094,123	3,753,205	3,925,068
Federal sources	51,506	63,858	42,824	536,557
Sixteenth Section sources	278,268	76,488		
Total Revenues	8,742,124	7,888,724	7,243,610	7,547,964
Expenditures:				
Instruction	3,493,360	3,465,966	3,524,067	3,553,915
Support services	3,969,358	4,206,454	4,541,813	4,526,963
Noninstructional services	1,889	26,089	19,813	1,684
Sixteenth section	56,928	54,468		
Debt Service:				
Interest	16,797	21,617	6,407	9,341
Total Expenditures	7,538,332	7,774,594	8,092,100	8,091,903
Excess (Deficiency) of Revenues over (under) Expenditures	1,203,792	114,130	(848,490)	(543,939)
Other Financing Sources (Uses):				
Insurance recovery			13,445	93,416
Proceeds of shortfall loans				89,892
Sale of transportation equipment			4,960	
Other financing sources	1,174		155,500	
Operating transfers in	221,970	20,000	438,608	404,673
Operating transfers out	(207,777)	(116,967)	(197,843)	(250,740)
Other financing uses				(2,780)
Total Other Financing Sources (Uses)	15,367	(96,967)	414,670	334,461
Net Change in Fund Balances	1,219,159	17,163	(433,820)	(209,478)
Fund Balances:				
July 1 , as previously reported	1,016,230	728,455	1,189,639	1,298,830
Prior period adjustments		270,612	(27,364)	100,287
Beginning of period , restated	1,016,230	999,067	1,162,275	1,399,117
End of Period	\$ 2,235,389	1,016,230	\$ 728,455	\$ 1,189,639

*SOURCE - PRIOR YEAR AUDIT REPORTS

EAST JASPER SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 5,182,068	\$ 4,791,799	\$ 4,654,550	\$ 4,138,575
State sources	4,766,399	4,665,422	4,283,003	4,422,858
Federal sources	1,996,677	1,889,394	1,587,120	1,976,565
Sixteenth section sources	360,713	166,392	449,136	304,331
Total Revenues	12,305,857	11,513,007	10,973,809	10,842,329
Expenditures:				
Instruction	4,445,733	4,158,647	4,299,357	4,394,366
Support services	4,486,144	4,877,014	5,279,708	4,976,085
Noninstructional services	633,800	678,154	681,076	694,292
Sixteenth section	93,490	94,125	119,674	79,123
Facilities acquisition and construction				2,208,677
Debt service:				
Principal	636,605	680,783	790,625	569,672
Interest	529,488	565,233	483,311	494,532
Other	5,640	5,634	5,604	5,655
Total Expenditures	10,830,900	11,059,590	11,659,355	13,422,402
Excess (Deficiency) of Revenues over (under) Expenditures	1,474,957	453,417	(685,546)	(2,580,073)
Other Financing Sources (Uses):				
Insurance recovery			13,445	93,416
Proceeds of shortfall loans				130,609
Sale of transportation equipment			4,960	
Payments held by escrow agent	141,000	147,999	290,770	288,770
Payment to QSCB debt escrow agent	(141,000)	(147,999)	(290,770)	(288,770)
Other financing sources	1,174		155,500	
Operating transfers in	456,145	136,967	636,451	655,413
Operating transfers out	(456,145)	(136,967)	(636,451)	(655,413)
Other financing uses				(2,780)
Total Other Financing Sources (Uses)	1,174	0	173,905	221,245
Net Change in Fund Balances	1,476,131	453,417	(511,641)	(2,358,828)
Fund Balances:				
July 1, as originally reported	7,071,595	6,610,294	7,145,745	9,402,495
Prior period adjustments		12,520	(27,364)	100,287
Beginning of period, restated	7,071,595	6,622,814	7,118,381	9,502,782
Increase (Decrease) in reserve for inventory	4,632	(4,636)	3,554	1,791
End of Period	\$ 8,552,358	\$ 7,071,595	\$ 6,610,294	\$ 7,145,745

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
East Jasper School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jasper School District, as of and for the year ended June 30, 2016, 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 28, 2017.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Jasper School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

McKenzie CPA, PLLC
Brandon, Mississippi
March 28, 2017

McKenzie CPA, PLLC



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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Superintendent and School Board
East Jasper School District

Report on Compliance for Each Major Federal Program

We have audited East Jasper School District's compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Jasper School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKenzie CPA, PLLC
Brandon, Mississippi
March 28, 2017

McKenzie CPA, PLLC

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



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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, 2016, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated March 28, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of 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 and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McKenzie CPA, PLLC
Brandon, Mississippi
March 28, 2017

McKenzie CPA, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST JASPER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|--|--------------------------------------|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified? | None reported |
| 3. Noncompliance material to financial statements noted? | | |
| | | No |

Federal Awards:

- | | | |
|----|---------------------------------------|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified? | None reported |

- | | | |
|---|---|------------|
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | | |
| | | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555; 10.559	Child Nutrition Cluster
84.010	Title I

- | | | |
|--|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | | |
| | | Yes |
| 10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | | |
| | | No |

EAST JASPER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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