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EAST JASPER SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2017

EAST JASPER SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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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, 2017, and the related notes to the financial statements, which collectively comprise the East Jasper School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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 9-16, 55, 57, and 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Jasper School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by 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.

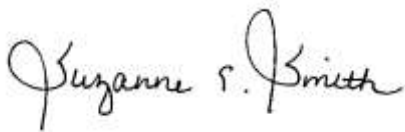
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for 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 April 20, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Jasper School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering East Jasper School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large, looped 'S' at the beginning and a distinct 'E' and 'Smith'.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
April 20, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017. 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 2017 increased \$58,143, including a prior period adjustment of \$23,707, which represents a 197% increase from fiscal year 2016. Total net position for 2016 increased \$1,226,922, which represents a 98% increase from fiscal year 2015.
- General revenues amounted to \$9,763,044 and \$9,927,722, or 82% and 81% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,247,010, or 18% of total revenues for 2017, and \$2,379,309, or 19% of total revenues for 2016.
- The District had \$11,975,618 and \$11,080,109 in expenses for fiscal years 2017 and 2016; only \$2,247,010 for 2017 and \$2,379,309 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,763,044 for 2017 and \$9,927,722 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,595,560 in revenues and \$8,605,442 in expenditures for 2017, and \$8,742,124 in revenues and \$7,538,332 in expenditures in 2016. The General Fund's fund balance increased by \$112,716, including a prior period adjustment of \$72,197, from 2016 to 2017, and increased by \$1,219,159 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$30,435 for 2017 and decreased by \$476,729 for 2016. The decrease for 2017 was due primarily to the current year depreciation expense.
- Long-term debt, including compensated absences payable, decreased by \$143,044 for 2017 and decreased by \$634,568 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt and the effect of a general obligation bond refunding. The liability for compensated absences increased by \$956 for 2017 and increased by \$2,037 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, 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 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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,560 as of June 30, 2017.

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

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 5,236,743	\$ 4,980,551	5.14 %
Restricted assets	4,055,196	3,893,955	4.14 %
Capital assets, net	12,532,635	12,563,070	(0.24) %
Total assets	<u>21,824,574</u>	<u>21,437,576</u>	1.81 %
 Deferred outflows of resources	 <u>3,522,559</u>	 <u>2,270,821</u>	 55.12 %
Current liabilities	397,044	423,531	(6.25) %
Long-term debt outstanding	10,290,630	10,307,941	(0.17) %
Net pension liability	14,488,093	12,673,110	14.32 %
Total liabilities	<u>25,175,767</u>	<u>23,404,582</u>	7.57 %
 Deferred inflows of resources	 <u>142,806</u>	 <u>333,398</u>	 (57.17) %
 Net position:			
Net investment in capital assets	2,935,016	2,373,534	23.66 %
Restricted	6,320,219	5,777,154	9.40 %
Unrestricted	(9,226,675)	(8,180,271)	(12.79) %
Total net position	<u>\$ 28,560</u>	<u>\$ (29,583)</u>	196.54 %

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)	\$ (9,226,675)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	11,717,668
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,490,993</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 \$30,435.
- The principal retirement of \$754,000 of long-term debt.
- Advance refunding of \$6,480,000 in general obligation bonds.
- Increase in net pension liability in the amount of \$1,814,983.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$12,010,054 and \$12,307,031, respectively. The total cost of all programs and services was \$11,975,618 for 2017 and \$11,080,109 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 233,008	\$ 346,578	(32.77) %
Operating grants and contributions	1,970,752	2,032,731	(3.05) %
Capital Grants and Contributions	43,250	-	N/A %
General revenues:			
Property taxes	4,789,060	4,630,395	3.43 %
Grants and contributions not restricted	4,639,043	4,730,344	(1.93) %
Investment earnings	24,704	44,290	(44.22) %
Sixteenth section sources	167,072	308,180	(45.79) %
Other	143,165	214,513	(33.26) %
Total revenues	<u>12,010,054</u>	<u>12,307,031</u>	<u>(2.41) %</u>
Expenses:			
Instruction	4,305,570	4,368,438	(1.44) %
Support services	4,833,755	4,235,910	14.11 %
Non-instructional	587,214	618,237	(5.02) %
Sixteenth section	82,361	93,490	(11.90) %
Pension expense	1,777,370	1,238,180	43.55 %
Interest on long-term liabilities	389,348	525,854	(25.96) %
Total expenses	<u>11,975,618</u>	<u>11,080,109</u>	<u>8.08 %</u>
Increase (Decrease) in net position	<u>34,436</u>	<u>1,226,922</u>	<u>(97.19) %</u>
Net Position, July 1, as previously reported	<u>(29,583)</u>	<u>(1,256,505)</u>	97.65 %
Prior Period Adjustment	<u>23,707</u>	<u>-</u>	N/A %
Net Position, July 1, as restated	<u>(5,876)</u>	<u>(1,256,505)</u>	99.53 %
Net Position, June 30	<u>\$ 28,560</u>	<u>\$ (29,583)</u>	196.54 %

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, 2017

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 4,305,570	\$ 4,368,438	(1.44) %
Support services	4,833,755	4,235,910	14.11 %
Non-instructional	587,214	618,237	(5.02) %
Sixteenth section	82,361	93,490	(11.90) %
Pension Expense	1,777,370	1,238,180	43.55 %
Interest on long-term liabilities	389,348	525,854	(25.96) %
Total expenses	\$ 11,975,618	\$ 11,080,109	8.08 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (3,526,813)	\$ (3,360,995)	(4.93) %
Support services	(4,204,850)	(3,713,499)	(13.23) %
Non-instructional	141,096	198,237	(28.82) %
Sixteenth section	(74,518)	(60,509)	(23.15) %
Pension Expense	(1,777,370)	(1,238,180)	(43.55) %
Interest on long-term liabilities	(286,153)	(525,854)	45.58 %
Total net (expense) revenue	\$ (9,728,608)	\$ (8,700,800)	(11.81) %

- Net cost of governmental activities [(\$9,728,608) for 2017 and (\$8,700,800) for 2016] was financed by general revenue, which is primarily made up of property taxes (\$4,789,060 for 2017 and \$4,630,395 for 2016) and state and federal revenues (\$4,639,043 for 2017 and \$4,730,344 for 2016). In addition, there was \$167,072 and \$308,180 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$24,704 for 2017 and \$44,290 for 2016.

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 \$9,025,424, an increase of \$473,066, which includes a prior period adjustment of \$23,707 and an increase in inventory of \$6,973. \$2,042,077 or 22% 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 \$6,983,347 or 78% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

EAST JASPER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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 \$112,716, which includes a prior period adjustment of \$72,197. The fund balance of other governmental funds showed an increase in the amount of \$278,912, which includes a prior period adjustment of (\$48,490) and an increase in inventory of \$6,973. This increase in fund balance of other governmental funds was due primarily to an increase in the fund balance of the QSCB Sinking Fund (debt service fund) as more assets were accumulated to retire the Qualified School Construction Bonds outstanding at maturity and an increase in the fund balance of the School Food Service Fund (special revenue fund). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Principal Fund	\$ 81,438

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$19,766,080, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$484,203 from 2016. Total accumulated depreciation as of June 30, 2017, was \$7,233,445, and total depreciation expense for the year was \$514,638, resulting in total net capital assets of \$12,532,635.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 1,500	1,500	0.00 %
Buildings	10,005,006	10,284,026	(2.71) %
Building improvements	1,359,483	1,426,388	(4.69) %
Improvements other than buildings	208,056	220,295	(5.56) %
Mobile equipment	870,116	486,542	78.84 %
Furniture and equipment	88,474	144,319	(38.70) %
Total	\$ 12,532,635	\$ 12,563,070	(0.24) %

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, 2017

Debt Administration. At June 30, 2017, the District had \$10,164,897 in outstanding long-term debt, including compensated absences payable, of which \$733,245 is due within one year. The liability for compensated absences increased \$956 from the prior year. The district made principal payments totaling \$754,000 for the year and advance refunded \$6,480,000 in general obligation bonds outstanding.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 950,000	\$ 7,860,000	(87.91) %
General obligation refunding bonds payable	6,955,000	-	N/A %
Limited obligation refunding bonds payable	205,000	394,000	(47.97) %
Qualified school construction bonds payable	1,990,000	1,990,000	0.00 %
Compensated absences payable	64,897	63,941	1.50 %
Total	<u>\$ 10,164,897</u>	<u>\$ 10,307,941</u>	<u>(1.39) %</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.

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, 804 North Pine Avenue (Post Office Drawer E), Heidelberg, Mississippi 39439.

FINANCIAL STATEMENTS

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EAST JASPER SCHOOL DISTRICT

Statement of Net Position
June 30, 2017

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,589,690
Investments	170,683
Due from other governments	445,595
Other receivables, net	825
Inventories	19,619
Prepaid items	10,331
Restricted assets	4,055,196
Capital assets, net of accumulated depreciation	12,532,635
Total Assets	<u>21,824,574</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,913,231
Deferred outflows - advance refunding of debt	609,328
Total deferred inflows of resources	<u>3,522,559</u>
Liabilities	
Accounts payable and accrued liabilities	266,515
Interest payable on long-term liabilities	130,529
Long-term liabilities, due within one year:	
Capital related liabilities	730,000
Non-capital related liabilities	3,245
Long-term liabilities, due beyond one year:	
Capital related liabilities	9,370,000
Non-capital related liabilities	61,652
Bond premiums	125,733
Net pension liability	14,488,093
Total Liabilities	<u>25,175,767</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	142,806
Total deferred inflows of resources	<u>142,806</u>
Net Position	
Net investment in capital assets	2,935,016
Restricted for:	
Expendable:	
School-based activities	545,999
Ad valorem	198,434
Debt service	1,805,218
Forestry improvements	122,375
Unemployment benefits	13,140
Non-expendable:	
Sixteenth section	3,635,053
Unrestricted	(9,226,675)
Total Net Position	<u>\$ 28,560</u>

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

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EAST JASPER SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2017

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	\$ 4,305,570	202,297	576,460		(3,526,813)
Support services	4,833,755		585,655	43,250	(4,204,850)
Non-instructional	587,214	22,868	705,442		141,096
Sixteenth section	82,361	7,843			(74,518)
Pension expense	1,777,370				(1,777,370)
Interest on long-term liabilities	389,348		103,195		(286,153)
Total Governmental Activities	<u>\$ 11,975,618</u>	<u>233,008</u>	<u>1,970,752</u>	<u>43,250</u>	<u>\$ (9,728,608)</u>
General Revenues:					
Taxes:					
General purpose levies					3,849,140
Debt purpose levies					939,920
Unrestricted grants and contributions:					
State					4,638,847
Federal					196
Unrestricted investment earnings					24,704
Sixteenth section sources					167,072
Other					143,165
Total General Revenues					<u>9,763,044</u>
Change in Net Position					<u>34,436</u>
Net Position - Beginning, as previously reported					<u>(29,583)</u>
Prior Period Adjustments					<u>23,707</u>
Net Position - Beginning, as restated					<u>(5,876)</u>
Net Position - Ending					<u>\$ 28,560</u>

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

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EAST JASPER SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2017

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Principal Fund		
Assets				
Cash and cash equivalents	\$ 2,674,625	2,640,205	1,939,155	7,253,985
Cash with fiscal agents			11,453	11,453
Investments		563,535	986,596	1,550,131
Due from other governments	84,795	5,503	355,297	445,595
Due from other funds	206,042	112,952	9,552	328,546
Advance to other funds		338,971		338,971
Inventories			19,619	19,619
Prepaid items	10,331			10,331
Total assets	2,975,793	3,661,166	3,321,672	9,958,631
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	164,454		99,944	264,398
Due to other funds	124,263		205,575	329,838
Advances from other funds	338,971			338,971
Total Liabilities	627,688	0	305,519	933,207
Fund Balances:				
Nonspendable:				
Inventory			19,619	19,619
Permanent fund principal		3,296,082		3,296,082
Advances		338,971		338,971
Prepaid items	10,331			10,331
Restricted:				
Ad valorem	198,434			198,434
Debt service			1,935,747	1,935,747
Capital projects			18,786	18,786
Forestry improvement purposes			122,375	122,375
Grant activities			489,936	489,936
Unemployment benefits			13,140	13,140
Assigned:				
Student activities	97,224			97,224
Unemployment benefits			8,386	8,386
Capital projects		26,113	408,164	434,277
Instructional activities	39			39
Unassigned	2,042,077			2,042,077
Total Fund Balances	2,348,105	3,661,166	3,016,153	9,025,424
Total Liabilities and Fund Balances	\$ 2,975,793	3,661,166	3,321,672	9,958,631

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

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EAST JASPER SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position Exhibit C-1 June 30, 2017

Total fund balances for governmental funds \$ 9,025,424

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	2,299,441	
Furniture and equipment	1,055,370	
Accumulated depreciation	<u>(7,233,445)</u>	12,532,635

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

Net pension liability	(14,488,093)	
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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	2,913,231	
Deferred inflows of resources related to pensions	<u>(142,806)</u>	(11,717,668)

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	(950,000)	
General obligation refunding bonds	(6,955,000)	
Limited obligation bonds	(205,000)	
Qualified school construction bonds	(1,990,000)	
Compensated absences payable	(64,897)	
Unamortized charges	609,328	
Unamortized premiums	(125,733)	
Accrued interest payable	<u>(130,529)</u>	(9,811,831)

Net Position of governmental activities \$ 28,560

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

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EAST JASPER SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

Exhibit D

	Major Funds		Other	Total
	General Fund	16th Section Principal Fund	Governmental Funds	Governmental Funds
Revenues:				
Local sources	\$ 4,193,143	22,359	962,943	5,178,445
State sources	4,286,083		538,919	4,825,002
Federal sources	22,342		1,805,702	1,828,044
Sixteenth section sources	93,992	59,079	21,843	174,914
Total Revenues	8,595,560	81,438	3,329,407	12,006,405
Expenditures:				
Instruction	3,641,774		726,162	4,367,936
Support services	4,894,498		545,829	5,440,327
Noninstructional services	1,828		601,313	603,141
Sixteenth section	52,132		30,229	82,361
Debt service:				
Principal			754,000	754,000
Interest	15,210		304,693	319,903
Other			86,106	86,106
Total Expenditures	8,605,442	0	3,048,332	11,653,774
Excess (Deficiency) of Revenues over (under) Expenditures	(9,882)	81,438	281,075	352,631
Other Financing Sources (Uses):				
Proceeds of refunding bonds issued			7,090,000	7,090,000
Payments held by escrow agent			132,000	132,000
Premiums on refunding bonds issued			136,211	136,211
Payment to refunded bond escrow agent			(7,140,105)	(7,140,105)
Payment to Qualified School				
Construction Bonds debt escrow agent			(132,000)	(132,000)
Sale of other property	3,649			3,649
Operating transfers in	50,152		3,400	53,552
Operating transfers out	(3,400)		(50,152)	(53,552)
Total Other Financing Sources (Uses)	50,401	0	39,354	89,755
Net Change in Fund Balances	40,519	81,438	320,429	442,386
Fund Balances:				
July 1, 2016, as previously reported	2,235,389	3,579,728	2,737,241	8,552,358
Prior period adjustments	72,197	0	(48,490)	23,707
July 1, 2016, as restated	2,307,586	3,579,728	2,688,751	8,576,065
Increase (Decrease) in reserve for inventory			6,973	6,973
June 30, 2017	\$ 2,348,105	3,661,166	3,016,153	9,025,424

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

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EAST JASPER SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2017

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 442,386**

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	\$ 484,203	
Depreciation expense	<u>(514,638)</u>	(30,435)

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:

Refunding bonds issued	(7,090,000)	
Premium on refunding bonds	(136,211)	
Payments of debt principal	754,000	
Payments to refunded bond escrow agent	7,140,105	
Accrued interest payable	<u>(29,146)</u>	638,748

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

Pension expense	(1,777,370)	
Contributions subsequent to the measurement date	<u>795,389</u>	(981,981)

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	(956)	
Change in inventory reserve	6,973	
Amortization of deferred charges, premiums and discounts	<u>(40,299)</u>	(34,282)

Change in Net Position of governmental activities	<u>\$ 34,436</u>
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The notes to the financial statements are an integral part of this statement.

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EAST JASPER SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 285,413
Due from other funds	2,117
Total Assets	<u>287,530</u>
Liabilities	
Accounts payable and accrued liabilities	280,214
Due to other funds	825
Due to student clubs	6,491
Total Liabilities	<u>\$ 287,530</u>

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

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EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, East Jasper School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets, 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.

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.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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.

16th Section Principal Fund – This permanent fund accounts for the non-spendable resources associated with sixteenth section lands.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, 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.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows – Pensions

Deferred outflows – Advance refunding of debt

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows – Pensions

See Note 9 and Note 15 for further details on deferred amounts relating to pensions. For details on advance refunding of debt, see Note 6.

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.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

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

11. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the school board, the district's highest level of decision-making authority. This formal action is the approval of the type and amount of the commitment through a formal order of the school board. Currently the district has no committed fund balances.

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

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

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,253,985 and \$285,413, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$11,453.

Investments

As of June 30, 2017, 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	815,913
			<u>\$ 1,550,131</u>

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

The district had the following recurring fair value measurements as of June 30, 2017:

- Certificates of deposit of \$734,218 are valued using quoted market prices (Level 1 inputs).
- QSCB Construction Bonds Common Trust Funds 2012-A of \$815,913 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, 2017, 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, 2017, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit	\$ 734,218	47%

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	\$ 205,575
	Fiduciary funds	467
16th Section Principal Fund	General Fund	112,952
Other governmental funds	General Fund	9,194
	Fiduciary funds	358
Fiduciary funds	General Fund	2,117
Total		<u>\$ 330,663</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. Also included are operational transfers and amounts due to/from imprest clearing accounts (fiduciary funds).

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
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B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 338,971
Total		<u>\$ 338,971</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 (governmental funds). In accordance with Section 29-3-113, Miss. Code Ann. (1972), the district pays four (4) percent annual interest on the outstanding balance.

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

Year Ending June 30	Principal	Interest	Total
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	50,207	6,269	56,476
2023-2024	106,518	6,433	112,951
Total	<u>\$ 338,971</u>	<u>56,360</u>	<u>395,331</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 3,400
Other governmental funds	General Fund	<u>50,152</u>
Total		<u>\$ 53,552</u>

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Note 4 – Restricted Assets

The restricted assets represent the cash balance and the investment balance, totaling \$2,640,205 and \$563,535 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 agents balance, totaling \$11,453, of the MAEP Debt Retirement Fund (debt service fund). Also included are \$815,913 in investments of the QSCB Retirement Fund (debt service fund).

Unspent debt proceeds of \$24,090 in the New Elementary School Capital Projects Fund (capital projects fund) and the Series 2010-A Capital Projects Fund (capital projects fund) are included as restricted assets.

Restricted Assets total \$4,055,196.

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
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	472,229		2,299,441
Furniture and equipment	1,043,396	11,974		1,055,370
Total depreciable capital assets	19,280,377	484,203		19,764,580
<u>Less accumulated depreciation for:</u>				
Buildings	3,912,990	279,020		4,192,010
Building improvements	388,908	66,905		455,813
Improvements other than buildings	177,162	12,239		189,401
Mobile equipment	1,340,670	88,655		1,429,325
Furniture and equipment	899,077	67,819		966,896
Total accumulated depreciation	6,718,807	514,638		7,233,445
Total depreciable capital assets, net	12,561,570	(30,435)		12,531,135
Governmental activities capital assets, net	\$ 12,563,070	(30,435)		12,532,635

Depreciation expense was charged to the following governmental functions:

EAST JASPER SCHOOL DISTRICT
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	Amount
Governmental activities:	
Instruction	\$ 370,054
Support services	129,406
Non-instructional	15,178
Total depreciation expense - Governmental activities	<u>\$ 514,638</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Refunded Bonds	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 7,860,000		430,000	(6,480,000)	950,000	460,000
General obligation refunding bonds payable		7,090,000	135,000		6,955,000	65,000
Subtotal	<u>7,860,000</u>	<u>7,090,000</u>	<u>565,000</u>	<u>(6,480,000)</u>	<u>7,905,000</u>	<u>525,000</u>
B. Limited obligation refunding bonds payable	394,000		189,000		205,000	205,000
C. Qualified school construction bonds payable	1,990,000				1,990,000	
D. Compensated absences payable	63,941	956			64,897	3,245
Subtotal	<u>\$ 10,307,941</u>	<u>7,090,956</u>	<u>754,000</u>	<u>(6,480,000)</u>	<u>10,164,897</u>	<u>733,245</u>
Add: Bond premium	<u>\$</u>	<u>136,211</u>	<u>10,478</u>		<u>125,733</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%	1-Apr-09	1-Apr-19	\$ 10,000,000	\$ 950,000
General obligation refunding Series 2016	2.00-4.00%	20-Sep-16	1-Apr-29	7,090,000	6,955,000
Total				<u>\$ 17,090,000</u>	<u>\$ 7,905,000</u>

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

- General obligation bonds issued on April 1, 2009:

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Year Ending June 30		Principal	Interest	Total
2018	\$	460,000	50,350	510,350
2019		490,000	25,970	515,970
Total	\$	950,000	76,320	1,026,320

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

2. General obligation refunding bonds issued on September 20, 2016:

Year Ending June 30		Principal	Interest	Total
2018	\$	65,000	161,570	226,570
2090		65,000	160,985	225,985
2020		580,000	160,400	740,400
2021		615,000	137,200	752,200
2022		650,000	112,600	762,600
2023-2027		3,650,000	357,400	4,007,400
2028-2029		1,330,000	37,000	1,367,000
Total	\$	6,955,000	1,127,155	8,082,155

This debt will be retired from the \$7M GO Refunding Bond Series 2016 Fund (debt service fund).

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2018	\$	525,000	211,920	736,920
2090		555,000	186,955	741,955
2020		580,000	160,400	740,400
2021		615,000	137,200	752,200
2022		650,000	112,600	762,600
2023-2027		3,650,000	357,400	4,007,400
2028-2029		1,330,000	37,000	1,367,000
Total	\$	7,905,000	1,203,475	9,108,475

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness (including both the general

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

obligation bonds payable and the general obligation refunding bonds payable) was equal to 8% of property assessments as of October 1, 2016.

Pledge of Future Revenues

A portion of the general obligation bonds payable is 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 8% of the total annual debt service payment on the two general obligation bond issues until the final maturity of this debt on April 1, 2029. The proceeds of the Series 2009 general obligation bond issue was used for the construction of the New Elementary School and various renovations of other school buildings and facilities. The proceeds of the 2016 Series was used to refund a portion of the 2009 bonds. The pledge applies first to the 2009 Series and then to the 2016 Series. The total remaining principal and interest to be paid on the bonds is \$9,108,475. Principal and interest payments for the current year and total EEF revenues were \$725,652 and \$45,201, respectively.

Advance Refunding

On September 20, 2016, the district issued \$7,090,000 of general obligation refunding bonds with an average interest rate of 2.18% to advance refund \$6,480,000 of outstanding general obligation bonds with an average interest rate of 4.69%. The net proceeds of \$7,140,105, after payments of \$86,106 for issuance costs and including bond premium of \$136,211, were deposited in an irrevocable trust with an escrow agent to provide for the April 1, 2020, through April 1, 2029, future debt payment requirements on the general obligation bonds.

As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities. The district advance refunded the general obligation bonds to reduce its total debt service payments over the remaining 12 years of the debt by approximately \$540,850.

The \$609,328 balance of the deferred outflow of resources at June 30, 2017 associated with the advance refunding will be recognized as an expense and decrease the net investment in capital assets net position over the next twelve (12) years. Current year amortization was \$50,777.

B. Limited obligation refunding bonds payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2006	3.88%	15-Dec-06	1-Feb-18	\$ 1,790,000	\$ 205,000
Total				<u>\$ 1,790,000</u>	<u>\$ 205,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 205,000	7,954	212,954
Total	<u>\$ 205,000</u>	<u>7,954</u>	<u>212,954</u>

This debt will be retired from the MAEP Refunding Bonds 2006 Fund (debt service 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 debt limit percentage.

EAST JASPER SCHOOL DISTRICT
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For Year Ended June 30, 2017

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 5% of such state revenues. The total principal and interest remaining to be paid on the bonds is \$212,954. Principal and interest paid for the current year and total State Minimum Adequate Education Program revenues were \$204,287 and \$4,507,221, respectively.

C. Qualified school construction bonds payable

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

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ -	128,753	128,753
2090	-	128,753	128,753
2020	-	128,753	128,753
2021	-	128,753	128,753
2022	-	128,753	128,753
2023-2026	1,990,000	515,012	2,505,012
Total	<u>\$ 1,990,000</u>	<u>1,158,777</u>	<u>3,148,777</u>

This debt will be retired from the QSCB Sinking Fund (debt service fund).

D. 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, 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, 2017, \$195,000 of bonds outstanding are defeased.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Note 8 – Other Commitments

The school district has several operating leases for the following:

1. Two (2) postage meters
2. Eight (8) copiers

Lease expenditures for the year ended June 30, 2017, amounted to \$33,198.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2018	\$ 31,771
2019	25,053
2020	13,262
2021	2,309
Total	<u>\$ 72,395</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 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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 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, 2017, 2016 and 2015 were \$795,389, \$817,227 and \$806,625, 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, 2017, the school district reported a liability of \$14,488,093 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 0.081109 percent, which was based on a measurement date of June 30, 2016. This is a 0.000875 percent decrease from the proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,777,370. At June 30, 2017 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	\$ 405,611	\$
Net difference between projected and actual earnings on pension plan investments	984,390	
Changes of assumptions	690,368	38,499
Changes in proportion and differences between District contributions and proportionate share of contributions	37,473	104,307
District contributions subsequent to the measurement date	795,389	
Total	\$ <u>2,913,231</u>	\$ <u>142,806</u>

\$795,389 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2018	\$ 695,479
2019	503,128
2020	490,212
2021	286,217

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
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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, 2016 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	100	%		

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following 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	\$ 18,576,983	\$ 14,488,093	\$ 11,095,639

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

Note 10 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction 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.

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For Year Ended June 30, 2017

Year Ending June 30	Amount
2018	\$ 61,235
2019	25,471
2020	20,394
2021	16,489
2022	16,189
2023-2027.	59,315
2028-2032	35,036
2033-2037	28,571
2038-2042	13,400
Thereafter	11,890
Total	<u>\$ 287,990</u>

Note 11– Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Adjustments to correct a prior period error in recording assets and liabilities	\$ 23,707
Total	<u>\$ 23,707</u>

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

Fund	Explanation	Amount
General Fund	Error in recording a prior period asset or liability	\$ 72,197
Other governmental funds	Error in recording a prior period asset or liability	(48,490)
		<u>\$ 23,707</u>

Note 12 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings.

Note 13 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial 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.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Participation in Public Entity Risk Pools

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 that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 14 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or 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, 2017, the subsidy payments amounted to \$103,195.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$815,913. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to 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
2018	\$ 132,000
2019	132,000
2020	133,000
2021	133,000
2022	133,000
2023-2026	<u>532,000</u>
Total	<u>\$ 1,195,000</u>

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$2,935,016 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$609,328 balance of the deferred outflow of resources at June 30, 2017, will be recognized as an expense and decrease the net investment in capital assets net position over the next twelve (12) years.

EAST JASPER SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

The unrestricted net position amount of (\$9,226,675) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$795,389 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, 2018. The \$2,117,842 balance of deferred outflow of resources related to pensions at June 30, 2017, will be recognized as expense and will decrease the unrestricted net position over the next four (4) years.

The unrestricted net position amount of (\$9,226,675) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$142,806 balance of deferred inflow of resources at June 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next three (3) years.

Note 16 - 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 April 20, 2018, (the date the financial statements were available to be issued), and determined that no events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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EAST JASPER SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original	Final
	Original	Final		to Final	to Actual
Revenues:					
Local sources	\$ 3,980,122	3,980,122	4,193,143	0	213,021
State sources	4,418,526	4,418,526	4,286,083	0	(132,443)
Federal sources	50,000	50,000	22,342	0	(27,658)
Sixteenth section sources	245,255	245,255	93,992	0	(151,263)
Total Revenues	8,693,903	8,693,903	8,595,560	0	(98,343)
Expenditures:					
Instruction	4,271,908	3,695,861	3,641,774	576,047	54,087
Support services	4,503,388	5,157,730	4,894,498	(654,342)	263,232
Noninstructional services	0	1,824	1,828	(1,824)	(4)
Sixteenth section	37,126	52,278	52,132	(15,152)	146
Debt service:					
Principal	41,266	5	0	41,261	5
Interest	15,210	5	15,210	15,205	(15,205)
Other	0	25,000	0	(25,000)	25,000
Total Expenditures	8,868,898	8,932,703	8,605,442	(63,805)	327,261
Excess (Deficiency) of Revenues over (under) Expenditures	(174,995)	(238,800)	(9,882)	(63,805)	228,918
Other Financing Sources (Uses):					
Sale of other property	0	0	3,649	0	3,649
Operating transfers in	876,283	876,283	50,152	0	(826,131)
Operating transfers out	(786,752)	(3,410)	(3,400)	783,342	10
Total Other Financing Sources (Uses)	89,531	872,873	50,401	783,342	(822,472)
Net Change in Fund Balances	(85,464)	634,073	40,519	719,537	(593,554)
Fund Balances:					
July 1, 2016, as previously reported	2,095,639	2,252,186	2,235,389	156,547	(16,797)
Prior period adjustments			72,197	0	72,197
July 1, 2016, as restated	2,095,639	2,252,186	2,307,586	156,547	55,400
June 30, 2017	\$ 2,010,175	2,886,259	2,348,105	876,084	(538,154)

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

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EAST JASPER SCHOOL DISTRICT
Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.081109%	0.081984%	0.081455%
District's proportionate share of the net pension liability (asset)	\$ 14,488,093	12,673,110	9,887,146
District's covered payroll	5,188,743	5,121,429	4,977,340
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.45%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57%	62%	67%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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EAST JASPER SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 795,389	817,227	806,625
Contributions in relation to the contractually required contribution	795,389	817,227	806,625
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>
District's covered payroll	5,050,089	5,188,743	5,121,429
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

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EAST JASPER SCHOOL DISTRICT
Notes to the Required Supplementary Information
For Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

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SUPPLEMENTARY INFORMATION

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EAST JASPER SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

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	\$ 124,492
National school lunch program	10.555	518,008
Summer food service program for children	10.559	26,541
Total child nutrition cluster		669,041
Fruit and Vegetable Program	10.582	14,187
Total passed-through Mississippi Department of Education		683,228
Total U.S. Department of Agriculture		683,228
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	392,188
Career and technical education - basic grants to states	84.048	45,584
Twenty-first century community learning centers	84.287	33,800
Rural education	84.358	28,058
Improving teacher quality-State Grants	84.367	79,635
Subtotal		579,265
Special education cluster:		
Special education - grants to states	84.027	365,006
Special education - preschool grants	84.173	185
Total special education cluster		365,191
Total passed-through Mississippi Department of Education		944,456
Total U.S. Department of Education		944,456
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	22,145
Total Medicaid cluster		22,145
Total passed-through Mississippi Department of Education		22,145
Total U.S. Department of Health and Human Services		22,145
 Total for All Federal Awards		 \$ 1,649,829

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EAST JASPER SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 6,864,044	4,246,901	706,617	552,883	1,357,643
Other	4,789,730	977,030	235,363	47,830	3,529,507
Total	<u>\$ 11,653,774</u>	<u>5,223,931</u>	<u>941,980</u>	<u>600,713</u>	<u>4,887,150</u>
Total number of students *	<u>915</u>				
Cost per student	<u>\$ 12,736</u>	<u>5,709</u>	<u>1,029</u>	<u>657</u>	<u>5,341</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

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EAST JASPER SCHOOL DISTRICT
Notes to the Supplementary Information
For Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the East Jasper School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the West Jasper School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the East Jasper School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the governmental funds financial statements (modified accrual basis of accounting); however, expenditures reported on the Schedule include operating transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The East Jasper School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) The pass-through entities did not assign identifying numbers to the school district.

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OTHER INFORMATION

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EAST JASPER SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 4,193,143	4,055,352	3,654,255	3,447,581
State sources	4,286,083	4,356,998	4,094,123	3,753,205
Federal sources	22,342	51,506	63,858	42,824
Sixteenth section sources	93,992	278,268	76,488	
Total Revenues	8,595,560	8,742,124	7,888,724	7,243,610
Expenditures:				
Instruction	3,641,774	3,493,360	3,465,966	3,524,067
Support services	4,894,498	3,969,358	4,206,454	4,541,813
Noninstructional services	1,828	1,889	26,089	19,813
Sixteenth section	52,132	56,928	54,468	
Debt service:				
Interest	15,210	16,797	21,617	6,407
Total Expenditures	8,605,442	7,538,332	7,774,594	8,092,100
Excess (Deficiency) of Revenues over (under) Expenditures	(9,882)	1,203,792	114,130	(848,490)
Other Financing Sources (Uses):				
Insurance recovery				13,445
Sale of transportation equipment				4,960
Sale of other property	3,649			
Operating transfers in	50,152	221,970	20,000	438,608
Other financing sources		1,174		155,500
Operating transfers out	(3,400)	(207,777)	(116,967)	(197,843)
Total Other Financing Sources (Uses)	50,401	15,367	(96,967)	414,670
Net Change in Fund Balances	40,519	1,219,159	17,163	(433,820)
Fund Balances:				
Beginning of period, as previously reported	2,235,389	1,016,230	728,455	1,189,639
Prior period adjustments	72,197		270,612	(27,364)
Beginning of period, as restated	2,307,586	1,016,230	999,067	1,162,275
End of Period	\$ 2,348,105	2,235,389	1,016,230	728,455

*SOURCE - PRIOR YEAR AUDIT REPORTS

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EAST JASPER SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 5,178,445	5,182,068	4,791,799	4,654,550
State sources	4,825,002	4,766,399	4,665,422	4,283,003
Federal sources	1,828,044	1,996,677	1,889,394	1,587,120
Sixteenth section sources	174,914	360,713	166,392	449,136
Total Revenues	12,006,405	12,305,857	11,513,007	10,973,809
Expenditures:				
Instruction	4,367,936	4,445,733	4,158,647	4,299,357
Support services	5,440,327	4,486,144	4,877,014	5,279,708
Noninstructional services	603,141	633,800	678,154	681,076
Sixteenth section	82,361	93,490	94,125	119,674
Debt service:				
Principal	754,000	636,605	680,783	790,625
Interest	319,903	529,488	565,233	483,311
Other	86,106	5,640	5,634	5,604
Total Expenditures	11,653,774	10,830,900	11,059,590	11,659,355
Excess (Deficiency) of Revenues over (under) Expenditures	352,631	1,474,957	453,417	(685,546)
Other Financing Sources (Uses):				
Insurance recovery				13,445
Proceeds of refunding bonds issued	7,090,000			
Payments held by escrow agent	132,000	141,000	147,999	290,770
Premiums on refunding bonds issued	136,211			
Payment to refunded bond escrow agent	(7,140,105)			
Payment to Qualified School				
Construction Bonds debt escrow agent	(132,000)	(141,000)	(147,999)	(290,770)
Sale of transportation equipment				4,960
Sale of other property	3,649			
Operating transfers in	53,552	456,145	136,967	636,451
Other financing sources		1,174		155,500
Operating transfers out	(53,552)	(456,145)	(136,967)	(636,451)
Total Other Financing Sources (Uses)	89,755	1,174	0	173,905
Net Change in Fund Balances	442,386	1,476,131	453,417	(511,641)
Fund Balances:				
Beginning of period, as previously reported	8,552,358	7,071,595	6,610,294	7,145,745
Prior period adjustments	23,707		12,520	(27,364)
Beginning of period, as restated	8,576,065	7,071,595	6,622,814	7,118,381
Increase (Decrease) in reserve for inventory	6,973	4,632	(4,636)	3,554
End of Period	\$ 9,025,424	8,552,358	7,071,595	6,610,294

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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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, 2017, 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 April 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Jasper School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Jasper School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Jasper School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (**Finding 2017-001** and **Finding 2017-002**).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Jasper School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

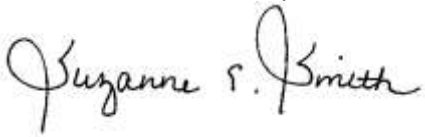
POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

School District's Responses to Findings

East Jasper School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. The school district's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

A handwritten signature in black ink, reading "Suzanne E. Smith". The signature is written in a cursive style with a large, stylized 'S' and 'M'.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
April 20, 2018

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

**Independent Auditor's Report on Compliance for Each Major Federal Program and 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 the district's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Jasper School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Special Education – Grants to States (CFDA 84.027)

As described in the accompanying schedule of findings and questioned costs, East Jasper School District did not comply with requirements regarding the CFDA 84.027 Special Education – Grants to States program as described in Finding **2017-003** for Period of Performance. Compliance with such requirements is necessary, in our opinion, for East Jasper School District to comply with the requirements applicable to that program.

Qualified Opinion on Special Education – Grants to States (CFDA 84.027)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Special Education – Grants to States program (CFDA 84.027) for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding 2017-004** and **Finding 2017-005**. Our opinion on each major federal program is not modified with respect to these matters. East Jasper School District's responses to the noncompliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. The school district's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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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.

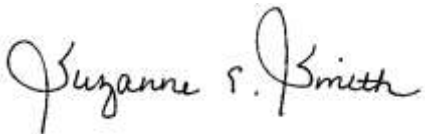
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding 2017-003** to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding 2017-004** and **Finding 2017-005** to be significant deficiencies.

East Jasper School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. The school district's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
April 20, 2018

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

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

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

Superintendent and School Board
East Jasper School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2017, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated April 20, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Finding SL2017-A: Financial Statements Furnished to the School Board. Monthly financials are required by Code Section 37-9-18, Mississippi Code Ann. (1972), to be presented to the School Board at each regular meeting for the financial activity that occurred during the previous month. The Mississippi Department of Education is charged with promulgating the types of reports and reporting requirements, including a requirement that the reports be listed as an agenda item for discussion, a requirement that the minutes of the board meeting reflect that the reports were discussed, a requirement that each board member be presented with a copy of all required reports, and a requirement that a copy of all required reports be included in the official minutes of the board meeting at which the reports were discussed. Our review of the reports presented to the school board disclosed that reports were not presented to the board in a timely manner for the period July-December 2017. There were unresolved differences on the bank reconciliations during the year with

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those differences still remaining at June 30, 2017. Since differences existed the statements were not fully reconciled, meaning that the reports submitted to the board during the year were not accurate.

Recommendation: We recommend that the administration provide accurate, timely reports to the school board at each regular meeting.

District Response: The district will comply with Section 37-9-18 Miss. Code Ann. (1972) by submitting financial monthly statements from the previous month each month. The Director of Finance will ensure that the statements presented are clear of unresolved differences on the bank statements.

Finding SL2017-B. Sixteenth Section Principal Loan Payments. The school district has one sixteenth section principal loan outstanding. The loan was made in January 2014, with equal loan installments of \$56,475.88 due to be paid each year from the District Maintenance Fund (general fund) to the 16th Section Principal Fund (permanent fund). For both years ending June 30, 2016 and June 30, 2017, the district failed to record loan payments or transfer funds to cover the payments prior to the October 15 deadline for submission of its financial data to the Mississippi Department of Education. The district hired a Certified Public Accountant to prepare financial statements for audit for both fiscal years ending June 30, 2016 and June 30, 2017. As a part of the preparation of the financial statements, the district posted entries to reflect the revenue and expenditure transactions associated with the payment of this loan in both years with an offset to interfund balances (current). These transactions were posted after the annual financial information was submitted to the Mississippi Department of Education for both years. As of audit report date, however, no funds had been transferred to settle these current interfund balances. The district has sufficient cash flow to cover these amounts (\$56,475.88 for the 2016 fiscal year and \$56,475.88 for the 2017 fiscal year).

Recommendation: We recommend that these amounts (\$112,951.76) be immediately transferred from the general fund bank account to the 16th Section Principal Fund bank account to cover the interfund balances created as a result of the loan repayment transactions. The district should make timely payments and transfers of funds to cover the payments in the future. No transfers from Sixteenth section expendable funds should be made to governmental funds before such payments and interfund balances are settled.

District Response: The district will transfer the funds (in the amount of \$112,951.76) from the District Maintenance Fund Bank Account to the Sixteenth Section Principal Fund bank account today (April 20, 2018) to cover the interfund balances created as a result of loan repayment transactions.

Finding SL2017-C. Late 16th Section Rental Collections. Code Section 29-3-57, Mississippi Code Ann. (1972), states it shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease. During our testing of ten (15) of the twenty-four (58) leases identified, we found four (4) instances where the leases were not paid during the 60-day period and where such leases were not presented to the school board for termination. The district employs the services of an outside consultant to manage its sixteenth section lands. However, there is a dis-connect between lease rental collections and the notification of the collections being made to the outside consultant. Therefore, the consultant does not have notice when a lease rental is late.

Recommendation: We recommend that the district identify all delinquent leases and start termination proceedings on those leases. When lease payments are collected by the district, a timely notification of the collection amounts should be made to the outside consultant who is currently assisting in the management of leases for the district. We recommend that a monthly accounting for all leases received during each month be made at the end of the month to this outside consultant. This will assist in identifying late rental payments in a more timely manner. A copy of official board action on all sixteenth section matters should also be provided to the outside consultant for each month.

District Response: The Director of Finance will submit receipts collected from 16th Section rental payments to the 16th Section Land Manager to ensure timely recording of collections. The 16th Section Land Manager, along with the Director of Finance, will submit monthly reports to the outside consultant to record these payments.

Finding SL2018-D. Budgeting Administrative Limitation. The school district budgeted \$115,143.07 more in administrative salaries and benefits than outlined in Code Section 37-61-9(4), Miss. Code Ann. (1972). The district expended less than budgeted for these salaries and benefits but still expended more than the amount outlined in the referenced code section. However, there is no penalty associated with this violation.

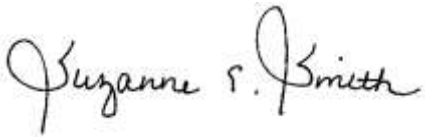
Recommendation: We recommend that the district begin a review of salaries and benefits paid from the functional categories defined in Code Section 37-61-9(4), Miss. Code Ann. (1972), as administrative expenditures and begin the process of bringing budgeted expenditures in line with the limitation outlined in the statute.

District Response: To the extent possible the district will hold benefits and salaries to the lowest possible amount while ensuring that the district is properly staffed.

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

The School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Suzanne E. Smith". The ink is dark and the signature is fluid.

Suzanne E. Smith, CPA, PLLC

Brandon, Mississippi

April 20, 2018

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EAST JASPER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|---|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | Yes |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Qualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | Yes |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 84.027/84.173 | Special Education Cluster |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? (yes/no) | Yes |

EAST JASPER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

Findings that are considered material weaknesses:

Finding 2017-001. Unreconciled Differences in Bank Statement Reconciliations at June 30, 2017.

CONDITION: There were unreconciled differences on the June 30, 2017, bank statement reconciliations that had not been resolved. Many of the differences had existed for several months. Cash in governmental funds was overstated by \$30,861.72 when compared to reconciled bank balances. Cash in fiduciary funds was \$617.42 understated when compared to reconciled bank balances. The net effect for all funds and all accounts is that cash in the general ledger was \$30,244.30 higher than reconciled bank account amounts at June 30, 2017.

CRITERIA: The school district is charged with developing a system of internal controls surrounding cash and the reconciliation of general ledger amounts to bank account balances. Such a reconciliation should be performed monthly, and all differences should be promptly investigated and resolved.

CAUSE: This cause of this condition is not fully known. While the controls have been designed that require a monthly reconciliation, this reconciliation is not being completed.

EFFECT: The effect is a breakdown in the controls surrounding the safekeeping and accurate reporting of cash and a misstatement of cash at balance sheet date.

RECOMMENDATION: We recommend that the district complete timely, accurate reconciliations for all bank accounts on a monthly basis.

Finding 2017-002. Misstatements in Accrued Payables in Governmental Funds at June 30, 2017.

CONDITION: The client failed to reverse claims payable at June 30, 2016, of \$157,526.84 when those claims were liquidated in the 2016-2017 year. The client also accrued twice in error \$63,450.10 of claims payable at June 30, 2017: once in a system accrual through the financing accounting software and once through a manual general journal entry.

CRITERIA: The school district is charged with developing a system of internal controls surrounding the capturing and recording of claims payable at balance sheet date. Such a system should ensure that all claims from the previous year are correctly reversed and that all balances at balance sheet date represent the actual amount of claims payable at that date.

CAUSE: The cause is a failure to completely understand the accrual process in both theory and application.

EFFECT: The effect is an overstatement of claims payable in governmental funds of \$94,096.74 in governmental funds at June 30, 2017, and an overstatement of expenditures in governmental funds for the same amount. This also affected accruals in special revenue funds relating to federal award program reimbursement revenues. Audit adjustments were made and accepted to correct these misstatements.

RECOMMENDATION: We recommend that the district secure training in the area of accrued payables for business department employees prior to closing the 2017-2018 fiscal year to help ensure accuracy in the recording of such payables.

EAST JASPER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section III: Federal Award Findings and Questioned Costs

Finding that is considered a material weakness in internal controls and a material non-compliance

Finding 2017-003. CFDA 84.027 Special Education – grants to states. Period of Performance.

CONDITION: \$69,063.20 of expenditures were charged to the program after the period of availability for the 2015 program year grant ended. The district drew down all monies earmarked for the 2015 award year by December 31, 2016, however, program year expenditures for the 2015 program year continued through June 2017.

CRITERIA: The 2015 program year award had a performance period of 27 months, ending on September 30, 2016, with a requirement that all obligations be liquidated by December 31, 2016.

CAUSE: The cause is not fully known. However, a lack of knowledge of program requirements in the area of period of performance was noted. Controls are not functioning to reduce the risk that the period of performance requirements are met.

EFFECT: The effect is an unallowable cost being charged to the program in the form of expenditures outside of the period of performance window.

QUESTIONED COSTS: \$69,063.20

RECOMMENDATION: We recommend that the grant administrator review all purchases for program guidelines and make a determination as to whether or not costs are being made outside of the period of performance.

Findings that are significant deficiencies in internal controls not considered material weaknesses and non-material instances of non-compliance.

Finding 2017-004. CFDA 84.027 Special Education – grants to states. Reporting.

CONDITION: The annual expenditure report submitted to the Mississippi Department of Education did not match the underlying accounting records. The Special Education Grants to States award reported \$255,878.07 of reported expenditures in the carryover accounts, while the general ledger for this fund reflected \$330,279.78 in actual general ledger carryover expenditures. The Special Education Grants to States award reported \$27,407.34 in current award accounts expended, while actual general ledger current year expenditures totaled \$33,961.05. There were also inaccuracies across expenditure areas. The report was due September 30, 2017, and was not submitted until October 12, 2017.

CRITERIA: Annual financial data reports are required to be submitted to the Mississippi Department of Education. The district is charged with developing a system of controls to ensure that such reports are accurate and timely.

CAUSE: The cause is not fully known. It is believed that the business manager, when preparing the report, failed to gather the needed information in all program code areas. While the district utilized four (4) reporting codes, only the data for two (2) of the reporting codes was presented in the report.

EFFECT: The effect is noncompliance with reporting requirements and a control deficiency surrounding timely and accurate reporting to the Mississippi Department of Education.

QUESTIONED COSTS: None

EAST JASPER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

RECOMMENDATION: We recommend that the district develop a system of controls that will ensure that annual financial reports submitted to the Mississippi Department of Education are timely and accurate and reflect the actual expenditures in the district's accounting system.

Finding 2017-005. CFDA 84.027 Special Education – grants to states. Cash Management.

CONDITION: The district had positive cash flow in the Special Education – grants to states fund for the following months: December 2016 (\$12,959.04); January 2017 (\$17,061.29) and February 2017 (\$10,248.73). This means that draw downs of federal reimbursement amounts exceeded cash needs for these three months.

CRITERIA: The school district is charged with developing a system of internal controls that will minimize the lapse of time between draw downs of federal reimbursement amounts and the actual outlay of cash associated with the draw downs.

CAUSE: The cause is not fully known. However, the district business manager failed to take into consideration a journal entry that refunded an expenditure in the program when making the request for cash draw downs. Controls are not functioning to reduce the risk that draw downs will exceed cash needs for program expenditures.

EFFECT: The effect is non-compliance in the area of cash management.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district review the procedures used to make cash draw downs and evaluate the changes necessary to help ensure that draw downs will not exceed cash needs for program expenditures.

AUDITEE'S CORRECTIVE ACTION PLAN

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EAST JASPER SCHOOL DISTRICT
Auditee's Corrective Action Plan
For the Year Ended June 30, 2017

East Jasper County School District
Administrative Offices

P.O. Drawer E
Heidelberg, Mississippi 39439



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

East Jasper School District
FYE 6-30-2017

Finding 2017-001. Unreconciled Differences in Bank Statement Reconciliations at June 30, 2017.

Corrective Action Planned

The Director of Finance will work with an outside consultant to clear up unreconciled differences in the bank statement reconciliations. The director will work with the outside consultant monthly to train on variances in the reconciliations as needed. The Director of Finance will produce clear bank reconciliations to the school board monthly.

Name of contact person responsible for corrective action:

Ms. Melanie Johnson – Director of Finance

Start date: Immediately

East Jasper School District
FYE 6-30-2017

Finding 2017-002. Misstatements in Accrued Payables in Governmental Funds at June 30, 2017.

Corrective Action Planned

The Director of Finance will work with an outside consultant to train on how to identify those payables that have been automatically accrued by the accounting system and those that need to be manually accrued. The director will work with the consultant to verify that the accruals have been correctly journalized prior to the submission of the FETS.

Name of contact person responsible for corrective action:

Ms. Melanie Johnson – Director of Finance

Start date: July 1, 2018

Kindle the Flames of Educational Excellence and School Pride

EAST JASPER SCHOOL DISTRICT
Auditee's Corrective Action Plan
For the Year Ended June 30, 2017

East Jasper School District
FYE 6-30-2017

Finding 2017-003, CDFA 84.027 Special Education – grants to states. Period of Performance

Corrective Action Planned

The Director of Finance will work with the Special Education Director to ensure that funds are expended prior to the end of the program expenditure date. The Special Education Director will work with the grant administrator to determine whether the costs are being made outside the period of performance.

Name of contact person responsible for corrective action:

Mrs. Lashundra Dorris – Special Education Director and
Ms. Melanie Johnson – Director of Finance

Start date: On-going

East Jasper School District
FYE 6-30-2017

Finding 2017-004, CFDA 84.027 Special Education – grants to states. Reporting.

Corrective Action Planned

The Director of Finance will work with the Special Education Director to ensure that all funds received and expended are reported correctly to the Mississippi Department of Education. Special attention will be paid to the coding of the expenditures as reported to Mississippi Department of Education. Program coding will be used to differentiate between carryover and current project codes to ensure that funds are expended and reported properly and timely.

Name of contact person responsible for corrective action:

Mrs. Lashundra Dorris – Special Education Director and
Ms. Melanie Johnson – Director of Finance

Start date: Immediately

EAST JASPER SCHOOL DISTRICT
Auditee's Corrective Action Plan
For the Year Ended June 30, 2017

East Jasper School District
FYE 6-30-2017

Finding 2017-005, CFDA 84.027 Special Education – grants to states. Cash Management.

Corrective Action Planned

The Director of Finance will work with the Special Education Director to determine that expenditures are recorded with correct coding. The Director of Finance will use the expenditure report, along with the balance sheet information, to determine amounts needed for draw down of funds. With the onset of the MCAPS system, the Special Education Director will train with the Director of Finance to enter requests for funds into MCAPS and the Director of Finance will verify that the requested amounts are valid for the current expenditures.

Name of contact person responsible for corrective action:

Ms. Melanie Johnson – Director of Finance and
Mrs. Lashundra Dorris – Special Education Director

Start date: Immediately

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