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WEST JASPER SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2017



# WEST JASPER SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
West 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 West 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 West 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.

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

## ***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 West 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.

## ***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 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***

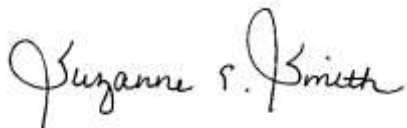
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Jasper School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, 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 September 8, 2017 on our consideration of the West 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 West 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 West Jasper School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Suzanne E. Smith". The signature is written in dark ink and is positioned above the printed name.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
September 8, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of West 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 decreased \$244,531, including a prior period adjustment of (\$13,984), which represents a 36% decrease from fiscal year 2016. Total net position for 2016 increased \$658,633, including a prior period adjustment of \$32,121, which represents a 49% increase from fiscal year 2015.
- General revenues amounted to \$11,725,355 and \$11,567,342, or 81% and 80% 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 \$2,750,877, or 19% of total revenues for 2017, and \$2,761,579, or 20% of total revenues for 2016.
- The District had \$14,706,779 and \$13,702,409 in expenses for fiscal years 2017 and 2016; only \$2,750,877 for 2017 and \$2,761,579 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,725,355 for 2017 were not adequate to provide for these programs, while general revenues of \$11,567,342 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,411,500 in revenues and \$11,048,323 in expenditures for 2017, and \$11,256,739 in revenues and \$10,650,655 in expenditures in 2016. The General Fund's fund balance increased by \$501,729, including a prior period adjustment of \$88, from 2016 to 2017, and decreased by \$734,199, including a prior period adjustment of (\$7,687), from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$353,520 for 2017 and increased by \$315,713 for 2016. The increase for 2017 was due to the addition of asset purchases and the completed construction of the new high school classroom building at Stringer Attendance Center.
- Long-term debt, including compensated absences payable, decreased by \$363,033 for 2017 and decreased by \$344,290 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$7,033 for 2017 and decreased by \$290 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

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

time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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



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

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

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

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 as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$917,917 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.

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

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

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 9,844,511	\$ 9,627,914	2.25 %
Restricted assets	1,441,607	1,174,488	22.74 %
Capital assets, net	8,102,643	7,749,123	4.56 %
<b>Total assets</b>	<b>19,388,761</b>	<b>18,551,525</b>	<b>4.51 %</b>
<b>Deferred outflows of resources</b>	<b>4,566,264</b>	<b>4,354,264</b>	<b>4.87 %</b>
Current liabilities	653,099	59,736	993.31 %
Long-term debt outstanding	2,497,540	2,860,573	-12.69 %
Net pension liability	21,434,995	18,549,633	15.55 %
<b>Total liabilities</b>	<b>24,585,634</b>	<b>21,469,942</b>	<b>14.51 %</b>
<b>Deferred inflows of resources</b>	<b>287,308</b>	<b>2,109,233</b>	<b>-86.38 %</b>
<b>Net position:</b>			
Net investment in capital assets	5,691,643	4,982,123	14.24 %
Restricted	5,829,932	6,295,751	-7.40 %
Unrestricted	(12,439,492)	(11,951,260)	-4.09 %
<b>Total net position</b>	<b>\$ (917,917)</b>	<b>\$ (673,386)</b>	<b>-36.31 %</b>

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)	\$ (12,439,492)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	17,156,039
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,716,547</u>

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

- Increase in net capital assets in the amount of \$353,520.
- The principal retirement of \$356,000 of long-term debt.
- Increase in net pension liability in the amount of \$2,885,362.

#### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$14,476,232 and \$14,328,921, respectively. The total cost of all programs and services was \$14,706,779 for 2017 and \$13,702,409 for 2016.

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

**Table 2**  
**Changes in Net Position**

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 387,061	\$ 333,638	16.01 %
Operating grants and contributions	2,353,502	2,389,182	(1.49) %
Capital Grants and Contributions	10,314	38,759	(73.39) %
General revenues:			
Property taxes	4,574,073	4,224,160	8.28 %
Grants and contributions not restricted	6,765,046	6,986,351	(3.17) %
Investment earnings	87,529	19,724	343.77 %
Sixteenth section sources	283,785	177,010	60.32 %
Other	14,922	160,097	(90.68) %
<b>Total revenues</b>	<b>14,476,232</b>	<b>14,328,921</b>	<b>1.03 %</b>
<b>Expenses:</b>			
Instruction	6,691,903	6,339,352	5.56 %
Support services	4,932,991	5,002,724	(1.39) %
Non-instructional	852,830	821,377	3.83 %
Sixteenth section	32,938	25,469	29.33 %
Pension expense	2,112,230	1,472,688	43.43 %
Interest on long-term liabilities	83,887	40,799	105.61 %
<b>Total expenses</b>	<b>14,706,779</b>	<b>13,702,409</b>	<b>7.33 %</b>
<b>Increase (Decrease) in net position</b>	<b>(230,547)</b>	<b>626,512</b>	<b>(136.80) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(673,386)</b>	<b>(1,332,019)</b>	<b>49.45 %</b>
<b>Prior Period Adjustment</b>	<b>(13,984)</b>	<b>32,121</b>	<b>(143.54) %</b>
<b>Net Position, July 1, as restated</b>	<b>(687,370)</b>	<b>(1,299,898)</b>	<b>47.12 %</b>
<b>Net Position, June 30</b>	<b>\$ (917,917)</b>	<b>\$ (673,386)</b>	<b>(36.31) %</b>

**Governmental activities**

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

WEST JASPER SCHOOL DISTRICT  
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**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 6,691,903	\$ 6,339,352	5.56 %
Support services	4,932,991	5,002,724	(1.39) %
Non-instructional	852,830	821,377	3.83 %
Sixteenth section	32,938	25,469	29.33 %
Pension Expense	2,112,230	1,472,688	43.43 %
Interest on long-term liabilities	83,887	40,799	105.61 %
<b>Total expenses</b>	<b>\$ 14,706,779</b>	<b>\$ 13,702,409</b>	<b>7.33 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ (5,771,067)	\$ (5,363,185)	(7.61) %
Support services	(4,071,260)	(4,221,539)	3.56 %
Non-instructional	83,454	147,593	(43.46) %
Sixteenth section	(912)	(15,284)	94.03 %
Pension Expense	(2,112,230)	(1,472,688)	(43.43) %
Interest on long-term liabilities	(83,887)	(15,727)	(433.39) %
<b>Total net (expense) revenue</b>	<b>\$ (11,955,902)</b>	<b>\$ (10,940,830)</b>	<b>(9.28) %</b>

- Net cost of governmental activities [(\$11,955,902) for 2017 and (\$10,940,830) for 2016)] was financed by general revenue, which is primarily made up of property taxes (\$4,574,073 for 2017 and \$4,224,160 for 2016) and state and federal revenues (\$6,765,046 for 2017 and \$6,986,351 for 2016). In addition, there was \$283,785 and \$177,010 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$87,529 for 2017 and \$19,724 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 \$10,638,890, a decrease of \$114,725, which includes a decrease in inventory of \$4,140. \$4,626,738 or 43% 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 \$6,012,152 or 57% 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.

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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 \$501,729, which includes a prior period adjustment of \$88. The fund balance of other governmental funds showed a decrease in the amount of \$498,037, which includes a prior period adjustment of (\$88) and a decrease in reserve for inventory of \$4,140. This decrease in fund balance of other governmental funds was due primarily to the expenditure of funds to complete the high school classroom addition at Stringer Attendance Center in Fund 3022 (Capital Projects Fund). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Local Building Fund	\$	(114,998)
16th Section Principal Fund	\$	(3,419)

## 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 \$15,165,599, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$712,302 from 2016. Total accumulated depreciation as of June 30, 2017, was \$7,062,956, and total depreciation expense for the year was \$456,813, resulting in total net capital assets of \$8,102,643.

**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	\$ 170,871	\$ 144,110	18.57 %
Construction in Progress	-	638,940	(100.00) %
Buildings	5,691,300	4,540,274	25.35 %
Building improvements	881,869	948,871	(7.06) %
Improvements other than buildings	188,651	221,530	(14.84) %
Mobile equipment	1,052,621	1,141,840	(7.81) %
Furniture and equipment	117,331	113,558	3.32 %
<b>Total</b>	<b>\$ 8,102,643</b>	<b>\$ 7,749,123</b>	<b>4.56 %</b>

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

WEST JASPER SCHOOL DISTRICT  
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For the Year Ended June 30, 2017

**Debt Administration.** At June 30, 2017, the District had \$2,497,540 in outstanding long-term debt, of which \$355,000 is due within one year. The liability for compensated absences decreased \$7,033 from the prior year. The district made principal payments totaling \$356,000 for the year.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 255,000	\$ 500,000	(49.00) %
Three mill notes payable	481,000	592,000	(18.75) %
Qualified school construction bonds payable	1,675,000	1,675,000	0.00 %
Compensated absences payable	86,540	93,573	(7.52) %
<b>Total</b>	<b><u>\$ 2,497,540</u></b>	<b><u>\$ 2,860,573</u></b>	<b><u>(12.69) %</u></b>

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

## **CURRENT ISSUES**

The West Jasper School District is financially stable. The District is proud of its community support of the public schools. The district has committed itself to financial excellence for many years. The District plans to continue its sound financial management to meet the challenges and to embrace the opportunities of the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the West Jasper School District, 510 Highway 18 (P.O. Box 610), Bay Springs, Mississippi 39422.

## FINANCIAL STATEMENTS

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**WEST JASPER SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2017**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 9,406,112
Cash with fiscal agents	1,806
Due from other governments	415,956
Inventories	20,637
Restricted assets	1,441,607
Capital assets, net of accumulated depreciation	8,102,643
Total Assets	<u>19,388,761</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	4,566,264
Total deferred inflows of resources	<u>4,566,264</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	647,228
Interest payable on long-term liabilities	5,871
Long-term liabilities, due within one year:	
Capital related liabilities	355,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,056,000
Non-capital related liabilities	86,540
Net pension liability	21,434,995
Total Liabilities	<u>24,585,634</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	287,308
Total deferred inflows of resources	<u>287,308</u>
<b>Net Position</b>	
Net investment in capital assets	5,691,643
Restricted for:	
Expendable:	
School-based activities	403,408
Ad valorem	214,440
Debt service	1,369,035
Capital improvements	2,012,318
Forestry improvements	63,854
Unemployment benefits	15,594
Non-expendable:	
Sixteenth section	1,751,283
Unrestricted	(12,439,492)
Total Net Position	<u>\$ (917,917)</u>

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

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**WEST JASPER SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2017**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 6,691,903	192,738	728,098		(5,771,067)
Support services	4,932,991		861,731		(4,071,260)
Non-instructional	852,830	162,297	763,673	10,314	83,454
Sixteenth section	32,938	32,026			(912)
Pension expense	2,112,230				(2,112,230)
Interest on long-term liabilities	83,887				(83,887)
Total Governmental Activities	<u>\$ 14,706,779</u>	<u>387,061</u>	<u>2,353,502</u>	<u>10,314</u>	<u>(11,955,902)</u>
General Revenues:					
Taxes:					
General purpose levies					
					4,378,997
Debt purpose levies					
					195,076
Unrestricted grants and contributions:					
State					
					6,698,672
Federal					
					66,374
Unrestricted investment earnings					
					87,529
Sixteenth section sources					
					283,785
Other					
					14,922
Total General Revenues					<u>11,725,355</u>
Change in Net Position					<u>(230,547)</u>
Net Position - Beginning, as previously reported					(673,386)
Prior Period Adjustments					<u>(13,984)</u>
Net Position - Beginning, as restated					<u>(687,370)</u>
Net Position - Ending					<u>\$ (917,917)</u>

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

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**WEST JASPER SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2017**

	Major Funds			Other	Total
	General	Local Building	16th Section	Governmental	Governmental
	Fund	Fund	Principal Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 6,504,355	1,915,310	456,984	986,447	9,863,096
Cash with fiscal agents	1,806			147,532	149,338
Investments				830,682	830,682
Due from other governments	122,389			293,567	415,956
Accrued interest receivable				6,409	6,409
Due from other funds	263,847				263,847
Advances to other funds			1,352,965		1,352,965
Inventories				20,637	20,637
Total assets	6,892,397	1,915,310	1,809,949	2,285,274	12,902,930
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	585,695			61,533	647,228
Due to other funds			58,666	205,181	263,847
Advances from other funds	1,352,965				1,352,965
Total Liabilities	1,938,660	0	58,666	266,714	2,264,040
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory				20,637	20,637
Permanent fund principal			398,318		398,318
Advances			1,352,965		1,352,965
<b>Restricted:</b>					
Debt service				1,374,906	1,374,906
Capital projects				97,008	97,008
Forestry improvement purposes				63,854	63,854
Grant activities	8,000			374,771	382,771
Unemployment benefits				15,594	15,594
Ad valorem	214,440				214,440
<b>Committed:</b>					
Capital improvements		1,915,310			1,915,310
<b>Assigned:</b>					
Instructional activities				57,883	57,883
Student activities	104,559				104,559
Unemployment benefits				13,907	13,907
<b>Unassigned</b>	4,626,738				4,626,738
Total Fund Balances	4,953,737	1,915,310	1,751,283	2,018,560	10,638,890
Total Liabilities and Fund Balances	\$ 6,892,397	1,915,310	1,809,949	2,285,274	12,902,930

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

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**WEST JASPER SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 10,638,890**

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	\$ 170,871	
Buildings	9,387,650	
Building improvements	1,700,215	
Improvements other than buildings	352,564	
Mobile equipment	3,090,822	
Furniture and equipment	463,477	
Accumulated depreciation	<u>(7,062,956)</u>	8,102,643

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	(21,434,995)
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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	4,566,264	
Deferred inflows of resources related to pensions	<u>(287,308)</u>	(17,156,039)

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:

Limited obligation refunding bonds payable	(255,000)	
Three mill notes payable	(481,000)	
Qualified school construction bonds payable	(1,675,000)	
Compensated absences payable	(86,540)	
Accrued interest payable	<u>(5,871)</u>	(2,503,411)

**Net Position of governmental activities**

**\$ (917,917)**

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

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**WEST 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	Local Building	16th Section	Governmental	Governmental
	Fund	Fund	Principal Fund	Funds	Funds
<b>Revenues:</b>					
Local sources	\$ 4,588,982	2,942		378,168	4,970,092
State sources	6,421,752			576,650	6,998,402
Federal sources	116,736			2,013,724	2,130,460
Sixteenth section sources	284,030		58,166	35,082	377,278
Total Revenues	11,411,500	2,942	58,166	3,003,624	14,476,232
<b>Expenditures:</b>					
Instruction	6,776,682	41,940		660,108	7,478,730
Support services	4,179,698	76,000		809,018	5,064,716
Noninstructional services				878,615	878,615
Sixteenth section	7,998			24,940	32,938
Facilities acquisition and construction	26,761			656,964	683,725
Debt service:					
Principal				356,000	356,000
Interest	57,184			31,781	88,965
Other				3,128	3,128
Total Expenditures	11,048,323	117,940	0	3,420,554	14,586,817
Excess (Deficiency) of Revenues over (under) Expenditures	363,177	(114,998)	58,166	(416,930)	(110,585)
<b>Other Financing Sources (Uses):</b>					
Payment held by escrow agent				113,471	113,471
Payment made to escrow agent				(113,471)	(113,471)
Operating transfers in	141,549			3,085	144,634
Operating transfers out	(3,085)		(61,585)	(79,964)	(144,634)
Total Other Financing Sources (Uses)	138,464	0	(61,585)	(76,879)	0
Net Change in Fund Balances	501,641	(114,998)	(3,419)	(493,809)	(110,585)
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	4,452,008	2,030,308	1,754,702	2,516,597	10,753,615
Prior period adjustments	88			(88)	
July 1, 2016, as restated	4,452,096	2,030,308	1,754,702	2,516,509	10,753,615
Increase (Decrease) in reserve for inventory				(4,140)	(4,140)
June 30, 2017	\$ 4,953,737	1,915,310	1,751,283	2,018,560	10,638,890

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

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**WEST 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** **\$ (110,585)**

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	\$ 825,404	
Depreciation expense	<u>(456,813)</u>	368,591

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

	<u>(1,087)</u>	(1,087)
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3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	356,000	
Accrued interest payable	<u>5,078</u>	361,078

4. 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	(2,112,230)	
Contributions subsequent to the measurement date	<u>1,260,793</u>	(851,437)

5. 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	7,033	
Change in inventory reserve	<u>(4,140)</u>	2,893

<b>Change in Net Position of governmental activities</b>	<b>\$</b>	<b><u>(230,547)</u></b>
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The notes to the financial statements are an integral part of this statement.

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WEST JASPER SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position  
June 30, 2017

Exhibit E

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 101,950
Total Assets	<u>101,950</u>
<b>Liabilities</b>	
Due to student clubs	100,618
Other payables	<u>1,332</u>
Total Liabilities	<u>\$ 101,950</u>

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

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## WEST 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 (5) member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, West 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

## WEST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2017

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.

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.

**Local Building Fund** – This is a capital projects fund used to account for local sources committed for construction or renovation of major capital facilities.

**16<sup>th</sup> Section Principal Fund** – This permanent fund accounts for the non-expendable resources derived from the district's 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.



## WEST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2017

#### FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

## WEST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2017

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.

###### **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.

WEST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2017

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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

## WEST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2017

#### 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

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 7 for further details.

#### 8. Compensated Absences

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

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

#### 9. Long-term Liabilities and Bond Discounts/Premiums

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

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

#### 10. Pensions

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

## WEST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2017

#### 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 committed \$1,915,310 for capital improvements.

*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.

#### **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

# WEST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2017

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 \$9,863,096 and \$101,950, 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 \$149,338.

### Investments

As of June 30, 2017, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U. S. Treasury Notes and Bonds	N/A	Less than 7	\$ 830,682
Total			<u>\$ 830,682</u>

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

WEST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2017

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

- U. S. Treasury Notes and Bonds of \$830,682 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.

*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.

**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	16th Section Principal Fund	\$ 58,666
	Other governmental funds	205,181
Total		<u>\$ 263,847</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 transfers of interest income earned on nonexpendable resources held in the 16<sup>th</sup> Section Principal Fund due to the General Fund at June 30, 2017, pursuant to a board approved transfer of the expendable interest income for the year.

WEST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2017

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

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 1,352,965
Total		<u>\$ 1,352,965</u>

The interfund balances represent sixteenth section principal loans made from the permanent fund (16<sup>th</sup> Section Principal fund).

Sixteenth section principal loans payable

Note: 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. The interest rate on the sixteenth section principal loans payable as of June 30, 2017 is 4 percent.

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 48,917	54,118	103,035
2019	50,873	52,162	103,035
2020	52,771	50,264	103,035
2021	55,019	48,016	103,035
2022	57,220	45,815	103,035
2023 - 2027	322,192	192,985	515,177
2028 - 2032	391,975	123,203	515,178
	<u>373,998</u>	<u>38,143</u>	<u>412,141</u>
Total	\$ 1,352,965	604,706	<u>1,957,671</u>

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 3,085
16th Section Principal Fund	General Fund	61,585
Other governmental funds	General Fund	<u>79,964</u>
Total		<u>\$ 144,634</u>

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



# WEST 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, totaling \$456,984, 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 \$138,360, of the MAEP Limited Obligation Bond/Note Fund (Debt Service Fund).

In addition, the restricted assets represent the cash with fiscal agents, investments, and accrued interest balances, totaling \$9,172, \$830,682, and \$6,409, respectively, of the QSCB Bond Retirement Fund (Debt Service Fund).

Restricted Assets total \$1,441,607.

### Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u><b>Non-depreciable capital assets:</b></u>					
Land	\$ 144,110	26,761			170,871
Construction-in-progress	638,940	656,964	1,295,904	-	-
Total non-depreciable capital assets	783,050	683,725	1,295,904	-	170,871
<u><b>Depreciable capital assets:</b></u>					
Buildings	8,091,746	1,295,904			9,387,650
Building improvements	1,700,215				1,700,215
Improvements other than buildings	372,974			(20,410)	352,564
Mobile equipment	2,998,821	76,000		16,001	3,090,822
Furniture and equipment	506,491	65,679	108,693		463,477
Total depreciable capital assets	13,670,247	1,437,583	108,693	(4,409)	14,994,728
<u><b>Less accumulated depreciation for:</b></u>					
Buildings	3,551,472	166,709		(21,831)	3,696,350
Building improvements	751,344	67,002			818,346
Improvements other than buildings	151,444	14,103		(1,634)	163,913
Mobile equipment	1,856,981	168,042		13,178	2,038,201
Furniture and equipment	392,933	40,957	107,606	19,862	346,146
Total accumulated depreciation	6,704,174	456,813	107,606	9,575	7,062,956
Total depreciable capital assets, net	6,966,073	980,770	1,087	(13,984)	7,931,772
Governmental activities capital assets, net	\$ 7,749,123	1,664,495	1,296,991	(13,984)	8,102,643

Depreciation expense was charged to the following governmental functions:

# WEST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2017

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 9,019
Support services	426,894
Non-instructional	20,900
Total depreciation expense - Governmental activities	<u>\$ 456,813</u>

Adjustments were made to add mobile equipment not previously shown on the schedule and to delete improvements other than buildings that had been removed in a prior period. Adjustments were also made to reflect corrections of useful lives of assets being depreciated in several categories.

### 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	Balance 6/30/2017	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 500,000		245,000	255,000	255,000
B. Three mill notes payable	592,000		111,000	481,000	100,000
C. Qualified school construction bonds payable	1,675,000			1,675,000	
D. Compensated absences payable	93,573		7,033	86,540	
Total	<u>\$ 2,860,573</u>	-	363,033	2,497,540	355,000

#### A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, series 2007	4.00%	20-Dec-07	1-Jan-18	\$ 2,145,000	\$ 255,000
Total				<u>\$ 2,145,000</u>	<u>\$ 255,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 255,000	10,200	265,200
Total	<u>\$ 255,000</u>	<u>10,200</u>	<u>265,200</u>

This debt will be retired from the 1998 MAEP Limited Obligation Bond/Note Fund (Fund 4041).

# WEST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2017

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

### B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, series 2014	1.99%	2-Jun-14	2-Jun-22	\$ 808,000	\$ 481,000
Total				<u>\$ 808,000</u>	<u>\$ 481,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 100,000	9,572	109,572
2019	95,000	7,582	102,582
2020	96,000	5,691	101,691
2021	90,000	3,781	93,781
2022	100,000	1,990	101,990
Total	<u>\$ 481,000</u>	<u>28,616</u>	<u>509,616</u>

This debt will be retired from the Three Mill Note Retirement Fund (Fund 4021).

### C. Qualified school construction bonds payable

As more fully explained in Note 12, 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 2009	0.00%	17-Nov-09	15-Sep-23	\$ 1,675,000	\$ 1,675,000
Total				<u>\$ 1,675,000</u>	<u>\$ 1,675,000</u>

### 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.

## WEST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2017

#### **Note 7 – 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 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 \$1,260,793, \$1,230,905 and \$1,208,169, 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 \$21,434,995 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 0.12 percent, which was based on a measurement date of June 30, 2016. There was no change from the district's proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

# WEST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$2,112,230. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 597,878	\$ 230,349
Net difference between projected and actual earnings on pension plan investments	1,452,116	
Changes of assumptions	1,010,493	56,959
Changes in proportion and differences between District contributions and proportionate share of contributions	244,984	
District contributions subsequent to the measurement date	1,260,793	
Total	\$ <u>4,566,264</u>	\$ <u>287,308</u>

\$1,260,793 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	\$ 912,207
2019	883,987
2020	798,516
2021	423,453

*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

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:

# WEST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2017

<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	\$ 27,484,471	\$ 21,434,995	\$ 16,415,893

*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 8 – 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.

# WEST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2017

Year Ending June 30	Amount
2018	\$ 91,990
2019	89,280
2020	62,601
2021	28,112
2022	19,003
2023 – 2027	70,245
2028 – 2032	35,115
Total	<u>\$ 396,346</u>

### Note 9 – Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Restatement of Capital Assets - Additions and Deletions made in a prior period and a correction of useful lives used to record prior period depreciation amounts on certain capital assets	\$ (13,984)
Total	<u>\$ (13,984)</u>

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

Fund	Explanation	Amount
General Fund	Restatement of prior period asset	\$ 88
Other governmental funds	Restatement of prior period liability	(88)
Total		<u>\$ -</u>

### Note 10 – Contingencies

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

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

WEST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2017

**Note 11 – 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. 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.

**Note 12 – 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.

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 \$846,263, which includes investments of \$830,682, cash with fiscal agents of \$9,172, and accrued interest of \$6,409. 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 maximum annual deposits to be made to the sinking fund by the school district. Annual deposits are adjusted by the debt agent when earnings on the sinking fund exceed fund balance requirements.

Year Ending June 30	Amount
2018	\$ 121,000
2019	121,000
2020	121,000
2021	121,000
2022	121,000
2023 – 2024	239,000
Total	<u>\$ 844,000</u>

This debt will be retired from the Qualified School Construction Bond Fund (Fund 4021) and the EEF School Buildings/Buses Fund (Fund 2410). It is secured with a pledge of Educational Enhancement Funds (EEF) for buildings and buses that is to be used for the repayment of the bonds. Proceeds of the bonds were used to finance capital improvements. The notes are paid partially from future revenues of the state Education Enhancement revenue funds for buildings and buses and partially from local funds and are payable through September 15, 2023. Annual sinking fund deposits are expected to require all of the district's annual allocation of such state revenues and other local funds to complete the required sinking fund deposits. The total sinking fund deposits remaining are \$844,000. The total sinking fund deposit paid for the current year and total state Education Enhancement Fund revenue for buildings and buses was \$113,471 and \$60,174, respectively.



WEST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2017

**Note 13 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$12,439,492) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$4,566,264 balance of deferred outflow of resources 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 (\$12,439,492) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$287,308 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 14 - 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 West Jasper School District evaluated the activity of the district through September 8, 2017, (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.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**WEST 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 to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,311,902	4,315,518	4,588,982	3,616	273,464
State sources	6,484,258	6,487,287	6,421,752	3,029	(65,535)
Federal sources	152,712	152,712	116,736	0	(35,976)
Sixteenth section sources	206,125	206,125	284,030	0	77,905
Total Revenues	11,154,997	11,161,642	11,411,500	6,645	249,858
<b>Expenditures:</b>					
Instruction	6,620,989	6,821,619	6,776,682	(200,630)	44,937
Support services	4,514,852	4,379,312	4,179,698	135,540	199,614
Noninstructional services		12,048		(12,048)	12,048
Sixteenth section	5,000	28,341	7,998	(23,341)	20,343
Facilities acquisition and construction	0	0	26,761	0	(26,761)
Debt service:					
Interest	59,419	57,185	57,184	2,234	1
Total Expenditures	11,200,260	11,298,505	11,048,323	(98,245)	250,182
Excess (Deficiency) of Revenues over (under) Expenditures	(45,263)	(136,863)	363,177	(91,600)	500,040
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,662,567	1,770,146	141,549	107,579	(1,628,597)
Operating transfers out	(1,550,164)	(1,631,682)	(3,085)	(81,518)	1,628,597
Total Other Financing Sources (Uses)	112,403	138,464	138,464	26,061	0
Net Change in Fund Balances	67,140	1,601	501,641	(65,539)	500,040
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	4,275,397	4,452,787	4,452,008	177,390	(779)
Prior period adjustments		(780)	88	(780)	868
July 1, 2016, as restated	4,275,397	4,452,007	4,452,096	176,610	89
June 30, 2017	\$ 4,342,537	4,453,608	4,953,737	111,071	500,129

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

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**WEST 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)	0.12%	0.12%	0.12%
District's proportionate share of the net pension liability (asset)	\$ 21,434,995	18,549,633	14,565,803
District's covered payroll	7,815,270	7,670,914	7,627,708
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	274.27%	241.82%	190.96%
Plan fiduciary net position as a percentage of the total pension liability	0.57%	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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**WEST 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	\$ 1,260,793	1,230,905	1,208,169
Contributions in relation to the contractually required contribution	1,260,793	1,230,905	1,208,169
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>
District's covered payroll	8,005,035	7,815,270	7,670,914
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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## WEST 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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**WEST 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
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553 \$	206,996
National school lunch program	10.555	582,452
National school lunch program - donated commodities	10.555	51,733
Total child nutrition cluster		<u>841,181</u>
Total passed-through Mississippi Department of Education		<u>841,181</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>841,181</u></u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	50,362
<b>Total U.S. Department of Defense</b>		<u><u>50,362</u></u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	497,073
Career and technical education - basic grants to states	84.048	17,425
Rural education	84.358	51,655
Improving teacher quality-State Grants	84.367	123,286
Subtotal		<u>689,439</u>
Special education cluster:		
Special education - grants to states	84.027	454,745
Special education - preschool grants	84.173	28,358
Total special education cluster		<u>483,103</u>
Total passed-through Mississippi Department of Education		<u>1,172,542</u>
<b>Total U.S. Department of Education</b>		<u><u>1,172,542</u></u>
<b>Total for All Federal Awards</b>	<b>\$</b>	<u><u>2,064,085</u></u>

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**WEST JASPER SCHOOL DISTRICT**

**Supplementary Information**

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

**For the Year Ended June 30, 2017**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,874,110	7,961,867	590,927	643,482	1,677,834
Other	3,712,707	947,069	136,602	87,100	2,541,936
Total	<u>\$ 14,586,817</u>	<u>8,908,936</u>	<u>727,529</u>	<u>730,582</u>	<u>4,219,770</u>
Total number of students *	<u>1,403</u>				
Cost per student	<u>\$ 10,397</u>	<u>6,350</u>	<u>518</u>	<u>521</u>	<u>3,008</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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WEST 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 West 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 West 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 West 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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**WEST JASPER SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 4,588,982	4,335,547	3,863,442	3,954,573
State sources	6,421,752	6,613,013	6,161,391	5,970,168
Federal sources	116,736	140,193	145,040	208,234
Sixteenth section sources	284,030	167,986	194,694	
Total Revenues	11,411,500	11,256,739	10,364,567	10,132,975
<b>Expenditures:</b>				
Instruction	6,776,682	6,397,051	6,233,499	6,066,060
Support services	4,179,698	4,248,785	4,269,612	4,531,657
Sixteenth section	7,998	2,495	6,289	948
Facilities acquisition and construction	26,761			
Debt service:				
Interest	57,184	2,324	3,975	6,289
Total Expenditures	11,048,323	10,650,655	10,513,375	10,604,954
Excess (Deficiency) of Revenues over (under) Expenditures	363,177	606,084	(148,808)	(471,979)
<b>Other Financing Sources (Uses):</b>				
Sale of transportation equipment			4,008	4,320
Sale of other property				155,750
Operating transfers in	141,549	69,625	93,444	392,314
Operating transfers out	(3,085)	(1,402,221)	(45,225)	(55,296)
Total Other Financing Sources (Uses)	138,464	(1,332,596)	52,227	497,088
Net Change in Fund Balances	501,641	(726,512)	(96,581)	25,109
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,452,008	5,186,207	1,385,760	1,360,651
Fund reclassification			3,899,359	
Prior period adjustments	88	(7,687)	(2,331)	
Beginning of period, as restated	4,452,096	5,178,520	5,282,788	1,360,651
End of Period	\$ 4,953,737	4,452,008	5,186,207	1,385,760

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**WEST 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*
<b>Revenues:</b>				
Local sources	\$ 4,970,092	4,723,404	4,355,579	4,319,720
State sources	6,998,402	7,197,510	6,719,972	6,531,654
Federal sources	2,130,460	2,216,783	2,029,566	2,118,821
Sixteenth section sources	377,278	191,224	248,874	502,637
Total Revenues	14,476,232	14,328,921	13,353,991	13,472,832
<b>Expenditures:</b>				
Instruction	7,478,730	7,077,237	6,865,417	6,729,585
Support services	5,064,716	5,061,651	5,104,120	6,076,639
Noninstructional services	878,615	894,949	860,545	861,037
Sixteenth section	32,938	25,469	44,689	32,649
Facilities acquisition and construction	683,725	638,940		
Debt service:				
Principal	356,000	344,000	427,000	295,000
Interest	88,965	45,674	66,100	57,002
Other	3,128	2,898	5,225	2,130
Total Expenditures	14,586,817	14,090,818	13,373,096	14,054,042
Excess (Deficiency) of Revenues over (under) Expenditures	(110,585)	238,103	(19,105)	(581,210)
<b>Other Financing Sources (Uses):</b>				
Notes issued				808,000
Payment held by escrow agent	113,471	100,386	101,471	113,281
Sale of transportation equipment			4,008	4,320
Sale of other property				155,750
Payment made to escrow agent	(113,471)	(100,386)	(101,471)	(113,281)
Operating transfers in	144,634	1,471,846	138,669	551,808
Operating transfers out	(144,634)	(1,471,846)	(138,669)	(551,808)
Total Other Financing Sources (Uses)	0	0	4,008	968,070
Net Change in Fund Balances	(110,585)	238,103	(15,097)	386,860
<b>Fund Balances:</b>				
Beginning of period, as previously reported	10,753,615	10,518,077	10,527,193	10,140,974
Prior period adjustments	0	(8,111)	7,532	
Beginning of period, as restated	10,753,615	10,509,966	10,534,725	10,140,974
Increase (Decrease) in reserve for inventory	(4,140)	5,546	(1,551)	(641)
End of Period	\$ 10,638,890	\$ 10,753,615	\$ 10,518,077	\$ 10,527,193

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Superintendent and School Board  
West 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 West Jasper School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise West Jasper School District's basic financial statements, and have issued our report thereon dated September 8, 2017.

**Internal Control Over Financial Reporting**

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

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

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

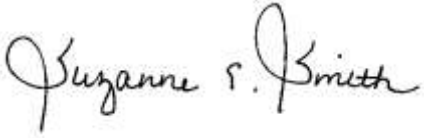
**Compliance and Other Matters**

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

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
September 8, 2017

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

**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

Superintendent and School Board  
West Jasper School District

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

We have audited West 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. West 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 West 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 West 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 West Jasper School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, West Jasper School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of West 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 West 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 West Jasper School District's internal control over compliance.

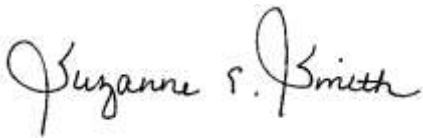
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such

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that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
September 8, 2017



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  
West Jasper School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Jasper School District as of and for the year ended June 30, 2017, which collectively comprise West Jasper School District's basic financial statements and have issued our report thereon dated September 8, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

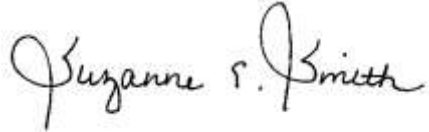
As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to

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**BRANDON, MISSISSIPPI 39043**  
**PHONE: 601-938-5717**

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 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' before the 'Smith'.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
September 8, 2017

WEST 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)                     | No            |
| 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)  | No   |
| b. Significant deficiency(ies) identified? (Yes/None reported)   | None reported                                |
| 5. Type of auditor's report issued on compliance for major programs:   | Unmodified                                   |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | No   |
| 7. Identification of major programs:   |  |
| <u>CFDA Numbers</u>  | <u>Name of Federal Program or Cluster</u>    |
| 84.010   | Title I grants to local educational agencies |
| 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  |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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