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EAST JASPER SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2018



EAST JASPER SCHOOL DISTRICT  
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## INDEPENDENT AUDITOR'S REPORT

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
East Jasper School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the East Jasper School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District, as of June 30, 2018, 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

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analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 7-14, 55-57, 59-61, and 63-65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

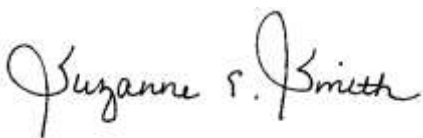
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Jasper School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2019, on our consideration of the East Jasper School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Jasper School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Jasper School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
March 7, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## EAST JASPER SCHOOL DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2018

The following discussion and analysis of East Jasper School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. 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 2018 decreased \$1,192,869, including a prior period adjustment of (\$1,103,131), which represents a 4,177% decrease from fiscal year 2017. Total net position for 2017 increased \$58,143, including a prior period adjustment of \$23,707, which represents a 197% increase from fiscal year 2016.
- General revenues amounted to \$9,875,097 and \$9,763,044, or 81% and 81% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,334,295, or 19% of total revenues for 2018, and \$2,247,010, or 19% of total revenues for 2017.
- The District had \$12,399,130 and \$11,975,618 in expenses for fiscal years 2018 and 2017; only \$2,334,295 for 2018 and \$2,247,010 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,875,097 for 2018 were not adequate to provide for these programs, while general revenues of \$9,763,044 for 2017 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,842,516 in revenues and \$9,419,111 in expenditures for 2018, and \$8,595,560 in revenues and \$8,605,442 in expenditures in 2017. The General Fund's fund balance decreased by \$737,361, including a prior period adjustment of (\$103,914), from 2017 to 2018, and increased by \$112,716, including a prior period adjustment of \$72,197, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$9,736 for 2018 and decreased by \$30,435 for 2017. The increase for 2018 was due primarily to the purchase of new buses, offset by current year depreciation.
- Long-term debt, including compensated absences payable but excluding premiums, decreased by \$728,947 for 2018 and decreased by \$143,044 for 2017. This decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,053 for 2018 and increased by \$956 for 2017.

#### 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

## EAST JASPER SCHOOL DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2018

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, pension expense, OPEB 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:

## EAST JASPER SCHOOL DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2018

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 and net OPEB liability result in liabilities on the government-wide financial statements but are 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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund as required by the Governmental Accounting Standards Board.

#### **Supplementary Information**

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

#### **Other Information**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,164,309 as of June 30, 2018.

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

EAST JASPER SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Year Ended June 30, 2018

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

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

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Percentage Change</b>
Current assets	\$ 4,995,330	\$ 5,236,743	-4.61 %
Restricted assets	4,043,724	4,055,196	-0.28 %
Capital assets, net	12,542,371	12,532,635	0.08 %
<b>Total assets</b>	<b>21,581,425</b>	<b>21,824,574</b>	<b>-1.11 %</b>
<b>Deferred outflows of resources</b>	<b>1,897,178</b>	<b>3,522,559</b>	<b>-46.14 %</b>
Current liabilities	412,710	397,044	3.95 %
Long-term debt outstanding	9,551,205	10,290,630	-7.19 %
Net pension liability	13,086,268	14,488,093	-9.68 %
Net OPEB liability	891,329	-	N/A
<b>Total liabilities</b>	<b>23,941,512</b>	<b>25,175,767</b>	<b>-4.90 %</b>
<b>Deferred inflows of resources</b>	<b>701,400</b>	<b>142,806</b>	<b>391.16 %</b>
<b>Net position:</b>			
Net investment in capital assets	3,639,859	2,935,016	24.01 %
Restricted	6,567,096	6,320,219	3.91 %
Unrestricted	(11,371,264)	(9,226,675)	-23.24 %
<b>Total net position</b>	<b>\$ (1,164,309)</b>	<b>\$ 28,560</b>	<b>-4176.71 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (11,371,264)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	13,340,370
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 1,969,106</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 \$9,736.
- The principal retirement of \$730,000 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$891,329.



# EAST JASPER SCHOOL DISTRICT

## Management's Discussion and Analysis For the Year Ended June 30, 2018

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$12,209,392 and \$12,010,054, respectively. The total cost of all programs and services was \$12,399,130 for 2018 and \$11,975,618 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 241,193	\$ 233,008	3.51 %
Operating grants and contributions	2,072,347	1,970,752	5.16 %
Capital grants and contributions	20,755	43,250	(52.01) %
General revenues:			
Property taxes	4,982,307	4,789,060	4.04 %
Grants and contributions not restricted	4,509,714	4,639,043	(2.79) %
Investment earnings	48,569	24,704	96.60 %
Sixteenth section sources	157,301	167,072	(5.85) %
Other	177,206	143,165	23.78 %
<b>Total revenues</b>	<b>12,209,392</b>	<b>12,010,054</b>	<b>1.66 %</b>
<b>Expenses:</b>			
Instruction	4,508,902	4,305,570	4.72 %
Support services	5,297,395	4,833,755	9.59 %
Non-instructional	643,898	587,214	9.65 %
Sixteenth section	30,068	82,361	(63.49) %
Pension expense	1,486,959	1,777,370	(16.34) %
OPEB expense	38,871	-	N/A
Interest on long-term liabilities	393,037	389,348	0.95 %
<b>Total expenses</b>	<b>12,399,130</b>	<b>11,975,618</b>	<b>3.54 %</b>
<b>Increase (Decrease) in net position</b>	<b>(189,738)</b>	<b>34,436</b>	<b>-650.99 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>28,560</b>	<b>(29,583)</b>	196.54 %
<b>Prior Period Adjustment</b>	<b>(1,003,131)</b>	<b>23,707</b>	-4331.37 %
<b>Net Position, July 1, as restated</b>	<b>(974,571)</b>	<b>(5,876)</b>	-16485.62 %
<b>Net Position, June 30</b>	<b>\$ (1,164,309)</b>	<b>\$ 28,560</b>	<b>-4176.71 %</b>

### Governmental activities

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

# EAST JASPER SCHOOL DISTRICT

## Management's Discussion and Analysis For the Year Ended June 30, 2018

**Table 3  
Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 4,508,902	\$ 4,305,570	4.72 %
Support services	5,297,395	4,833,755	9.59 %
Non-instructional	643,898	587,214	9.65 %
Sixteenth section	30,068	82,361	(63.49) %
Pension Expense	1,486,959	1,777,370	(16.34) %
OPEB Expense	38,871	-	N/A
Interest on long-term liabilities	393,037	389,348	0.95 %
<b>Total expenses</b>	<b>\$ 12,399,130</b>	<b>\$ 11,975,618</b>	<b>3.54 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (3,743,995)	\$ (3,526,813)	(6.16) %
Support services	(4,654,002)	(4,204,850)	(10.68) %
Non-instructional	166,144	141,096	17.75 %
Sixteenth section	(17,642)	(74,518)	76.33 %
Pension Expense	(1,486,959)	(1,777,370)	16.34 %
OPEB Expense	(38,871)	-	N/A
Interest on long-term liabilities	(289,510)	(286,153)	(1.17) %
<b>Total net (expense) revenue</b>	<b>\$ (10,064,835)</b>	<b>\$ (9,728,608)</b>	<b>(3.46) %</b>

- Net cost of governmental activities [(\$10,064,835) for 2018 and (\$9,728,608) for 2017] was financed by general revenue, which is primarily made up of property taxes (\$4,982,307 for 2018 and \$4,789,060 for 2017) and state and federal revenues (\$4,509,714 for 2018 and \$4,639,043 for 2017). In addition there was \$157,301 and \$167,072 in Sixteenth section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$48,569 for 2018 and \$24,704 for 2017.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$8,747,424, a decrease of \$278,000, which includes a prior period adjustment of (\$98,243) and a decrease in inventory of \$2,021. \$1,415,916 or 16% 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 \$7,331,508 or 84% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the

# EAST JASPER SCHOOL DISTRICT

## Management's Discussion and Analysis For the Year Ended June 30, 2018

General Fund for the fiscal year was \$737,361, which included a prior period adjustment of (\$103,914). The fund balance of Other Governmental Funds showed an increase in the amount of \$398,926, which includes a prior period adjustment of \$5,664 and a decrease in inventory of \$2,021. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
EHA Part B Fund	\$ No change
16th Section Principal Fund	60,435

### BUDGETARY HIGHLIGHTS

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

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2018, the District's total capital assets were \$20,334,765, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$568,685 from 2017, which includes a prior period adjustment of \$28,740. Total accumulated depreciation as of June 30, 2018, was \$7,792,394, and total depreciation expense for the year was \$553,776, resulting in total net capital assets of \$12,542,371.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 1,500	\$ 1,500	0.00 %
Buildings	9,725,986	10,005,006	(2.79) %
Building improvements	1,292,578	1,359,483	(4.92) %
Improvements other than buildings	195,816	208,056	(5.88) %
Mobile equipment	1,175,945	870,116	35.15 %
Furniture and equipment	150,546	88,474	70.16 %
<b>Total</b>	<b>\$ 12,542,371</b>	<b>\$ 12,532,635</b>	<b>0.08 %</b>

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

**Debt Administration.** At June 30, 2018, the District had \$9,435,950 in outstanding long-term debt, of which \$555,000 is due within one year. The liability for compensated absences increased \$1,053 from the prior year.

## EAST JASPER SCHOOL DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2018

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 490,000	\$ 950,000	(48.42) %
General obligation refunding bonds payable	6,890,000	6,955,000	(0.93) %
Limited obligation refunding bonds payable	-	205,000	(100.00) %
Qualified school construction bonds payable	1,990,000	1,990,000	0.00 %
Compensated absences payable	65,950	64,897	1.62 %
<b>Total</b>	<b>\$ 9,435,950</b>	<b>\$ 10,164,897</b>	<b>(7.17) %</b>

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

### **CURRENT ISSUES**

The East Jasper School District is financially stable. The District is proud of its community support of the public schools. The district has committed itself to financial excellence for many years. The District 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 East Jasper School District, 804 North Pine Avenue (Post Office Drawer E), Heidelberg, Mississippi 39439.

## FINANCIAL STATEMENTS

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**EAST JASPER SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2018**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,181,255
Cash with fiscal agents	61
Investments	171,725
Due from other governments	597,004
Other receivables, net	11,506
Prepaid items	16,181
Inventories	17,598
Restricted assets	4,043,724
Capital assets, net of accumulated depreciation	12,542,371
Total Assets	<u>21,581,425</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - advance refunding of debt	558,551
Deferred outflows - pensions	1,300,628
Deferred outflows - OPEB	37,999
Total deferred outflows of resources	<u>1,897,178</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	291,630
Interest payable on long-term liabilities	121,080
Long-term liabilities, due within one year:	
Capital related liabilities	555,000
Net OPEB liability	37,999
Long-term liabilities, due beyond one year:	
Capital related liabilities	8,815,000
Non-capital related liabilities	65,950
Bond premium	115,255
Net Pension liability	13,086,268
Net OPEB liability	853,330
Total Liabilities	<u>23,941,512</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	625,403
Deferred inflows - OPEB	75,997
Total deferred inflows of resources	<u>701,400</u>
<b>Net Position</b>	
Net investment in capital assets	3,639,859
Restricted for:	
Expendable:	
School-based activities	636,152
Ad valorem	78,625
Debt service	2,041,340
Forest improvement	133,898
Unemployment	14,100
Nonexpendable:	
Sixteenth section	3,662,981
Unrestricted	(11,371,264)
Total Net Position	<u><u>\$ (1,164,309)</u></u>

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

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**EAST JASPER SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 4,508,902	196,694	568,213		(3,743,995)
Support services	5,297,395	2,650	627,483	13,260	(4,654,002)
Non-instructional	643,898	29,423	773,124	7,495	166,144
Sixteenth section	30,068	12,426			(17,642)
Pension expense	1,486,959				(1,486,959)
OPEB expense	38,871				(38,871)
Interest on long-term liabilities	393,037		103,527		(289,510)
Total Governmental Activities	<u>\$ 12,399,130</u>	<u>241,193</u>	<u>2,072,347</u>	<u>20,755</u>	<u>\$ (10,064,835)</u>
General Revenues:					
Taxes:					
General purpose levies					4,011,938
Debt purpose levies					970,369
Unrestricted grants and contributions:					
State					4,394,389
Federal					115,325
Unrestricted investment earnings					48,569
Sixteenth section sources					157,301
Other					177,206
Total General Revenues					<u>9,875,097</u>
Change in Net Position					<u>(189,738)</u>
Net Position - Beginning, as previously reported					28,560
Prior Period Adjustments					<u>(1,003,131)</u>
Net Position - Beginning, as restated					<u>(974,571)</u>
Net Position - Ending					<u><u>\$ (1,164,309)</u></u>

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

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

**Balance Sheet**  
**June 30, 2018**

**Exhibit C**

	Major Funds			Other	Total
	General	EHA Part B	16th Section	Governmental	Governmental
	Fund	Fund	Principal Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,913,420		2,511,040	2,292,028	6,716,488
Cash with fiscal agents				120	120
Investments			567,483	1,112,674	1,680,157
Due from other governments	121,637	279,299		196,068	597,004
Other receivables			9,024		9,024
Due from other funds	442,391			9,552	451,943
Advances to other funds			634,054		634,054
Prepaid items	16,181				16,181
Inventories				17,598	17,598
Total assets	2,493,629	279,299	3,721,601	3,628,040	10,122,569
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	237,438	6,205		43,061	286,704
Unearned revenue				2,726	2,726
Due to other funds	11,393	273,094		167,174	451,661
Advances from other funds	634,054				634,054
Total Liabilities	882,885	279,299	0	212,961	1,375,145
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Permanent fund			3,028,927		3,028,927
Advances			634,054		634,054
Inventory				17,598	17,598
Prepaid items	16,181				16,181
<b>Restricted:</b>					
Ad valorem	78,625				78,625
Debt service				2,162,420	2,162,420
Capital improvements				18,889	18,889
Grant activities				543,753	543,753
Forestry improvements				133,898	133,898
Unemployment benefits				14,100	14,100
<b>Assigned:</b>					
Student activities	92,309				92,309
Instructional activities	7,713				7,713
Debt service				105,903	105,903
Capital improvements			58,620	409,760	468,380
Unemployment benefits				8,758	8,758
<b>Unassigned</b>	1,415,916				1,415,916
Total Fund Balances	1,610,744	0	3,721,601	3,415,079	8,747,424
Total Liabilities and Fund Balances	\$ 2,493,629	279,299	3,721,601	3,628,040	10,122,569

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

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# EAST JASPER SCHOOL DISTRICT

## Governmental Funds

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position Exhibit C-1 June 30, 2018

**Total fund balances for governmental funds** \$ 8,747,424

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

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

Land	\$ 1,500	
Buildings	14,197,016	
Building improvements	1,815,296	
Improvements other than buildings	397,457	
Mobile equipment	2,746,096	
Furniture and equipment	1,177,400	
Accumulated depreciation	<u>(7,792,394)</u>	12,542,371

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

Net pension liability (13,086,268)

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	1,300,628	
Deferred inflows of resources related to pensions	<u>(625,403)</u>	(12,411,043)

- Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net OPEB liability (891,329)

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	37,999	
Deferred inflows of resources related to OPEB	<u>(75,997)</u>	(929,327)

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

General obligation bonds payable	(490,000)	
General obligation refunding bonds payable	(6,890,000)	
Qualified school construction bonds payable	(1,990,000)	
Compensated absences payable	(65,950)	
Premium on debt	(115,255)	
Deferred outflows - advance refunding of debt	558,551	
Accrued interest payable	<u>(121,080)</u>	(9,113,734)

**Net Position of governmental activities** \$ (1,164,309)

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

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**EAST JASPER SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2018**

**Exhibit D**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EHA Part B Fund	16th Section Principal Fund		
<b>Revenues:</b>					
Local sources	\$ 4,401,038		15,000	1,002,649	5,418,687
Intermediate sources				7,495	7,495
State sources	4,177,393			321,649	4,499,042
Federal sources	134,711	437,450		1,524,118	2,096,279
Sixteenth section sources	129,374		45,435	13,080	187,889
Total Revenues	8,842,516	437,450	60,435	2,868,991	12,209,392
<b>Expenditures:</b>					
Instruction	3,947,363	136,316		513,990	4,597,669
Support services	5,415,722	289,857		283,631	5,989,210
Noninstructional services	14,078	196		663,770	678,044
Sixteenth section	28,388			1,680	30,068
Debt service:					
Principal				730,000	730,000
Interest	13,560			348,627	362,187
Other				7,420	7,420
Total Expenditures	9,419,111	426,369	0	2,549,118	12,394,598
Excess (Deficiency) of Revenues over (under) Expenditures	(576,595)	11,081	60,435	319,873	(185,206)
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	7,470				7,470
Payments held by escrow agent				132,000	132,000
Operating transfers in	11,088			75,410	86,498
Payments to Qualified School Construction Bonds debt escrow agent				(132,000)	(132,000)
Operating transfers out	(75,410)	(11,088)			(86,498)
Total Other Financing Sources (Uses)	(56,852)	(11,088)	0	75,410	7,470
Net Change in Fund Balances	(633,447)	(7)	60,435	395,283	(177,736)
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	2,348,105	0	3,661,166	3,016,153	9,025,424
Prior period adjustments	(103,914)	7		5,664	(98,243)
July 1, 2017, as restated	2,244,191	7	3,661,166	3,021,817	8,927,181
Increase (Decrease) in reserve for inventory June 30, 2018	\$ 1,610,744	0	3,721,601	(2,021)	(2,021)
	\$ 1,610,744	0	3,721,601	3,415,079	8,747,424

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

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**EAST JASPER SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2018**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (177,736)

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	\$ 539,945	
Depreciation expense	<u>(553,776)</u>	(13,831)

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

Payments of debt principal	730,000	
Accrued interest payable	<u>9,449</u>	739,449

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

Pension expense	(1,486,959)	
Contributions subsequent to the measurement date	<u>793,584</u>	(693,375)

4. Some items relating to OPEB 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:

OPEB expense	(38,871)	
Contributions subsequent to the measurement date	<u>37,999</u>	(872)

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	(1,053)	
Amortization of premium	10,478	
Amortization of deferred outflows on debt	(50,777)	
Change in inventory reserve	<u>(2,021)</u>	(43,373)

**Change in Net Position of governmental activities** \$ (189,738)

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

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**EAST JASPER SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities  
June 30, 2018**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 335,353
Due from other funds	2,200
Total Assets	<u>337,553</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	325,556
Due to other funds	2,482
Due to student clubs	8,355
Other payables	1,160
Total Liabilities	<u>\$ 337,553</u>

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

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## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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

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

##### **A. Financial Reporting Entity**

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

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

##### **B. Government-wide and Fund Financial Statements**

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

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

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

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

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

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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.

**EHA Part B Fund** – This is a special revenue fund that accounts for the expenditures and related revenues of the federal special education grant, which is part of the federal special education cluster of awards.

**16<sup>th</sup> Section Principal Fund** – This permanent fund accounts for the non-spendable resources associated with sixteenth section trust 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 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 the 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 the results of operations.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

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

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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

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

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

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

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

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

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

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

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

#### **D. Encumbrances**

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

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

##### **1. Cash, Cash equivalents and Investments**

###### **Cash and cash equivalents**

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

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

#### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified 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.



EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2018

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

Deferred outflows - Advance refunding of debt

Deferred outflows - Pensions

Deferred outflows - Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred inflows - Postemployment Benefits Other Than Pensions (OPEB)

See Note 9, Note 10, and Note 18 for further information concerning deferred outflows and inflows of resources and liabilities relating to pensions and OPEB.

8. Compensated Absences

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

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

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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

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

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

#### 10. Pensions

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

#### 11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Fiduciary net position was zero as of the measurement date of June 30, 2017.

#### 12. 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 commitment by the school board. Currently there is no committed fund balance for this school district.

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

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

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

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

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

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

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

**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 \$6,716,488 and \$335,353, 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 the school district's cash with fiscal agents held by financial institutions at June 30, 2018, was \$120.

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

### Investments

As of June 30, 2018, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of Deposit	N/A	Less than 1 Year	739,207
QSCB Construction Bonds Common Trust Funds 2012-A	N/A	Less than 1 Year	940,950
Total			<u>\$ 1,680,157</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.

The district has the following recurring fair value measurements as of June 30, 2018:

- All investments 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. As of June 30, 2018, the district had the following investments to which this disclosure applies:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit	\$ 739,207	44%

### 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

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

Receivable Fund	Payable Fund	Amount
General Fund	EHA Part B Fund	\$ 273,094
	Other governmental funds	167,174
	Fiduciary funds	2,123
Other governmental funds	General Fund	9,193
	Fiduciary Funds	359
Fiduciary funds	General Fund	2,200
Total		<u>\$ 454,143</u>

The amounts 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. Amounts also included are amounts due to and from the general fund to and from clearing funds at June 30, 2018.

### B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	<u>\$ 634,054</u>
Total		<u>\$ 634,054</u>

#### Sixteenth section principal loans payable

The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2018 is four (4) percent.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 71,734	\$ 26,489	\$ 98,223
2020	75,655	22,493	98,148
2021	78,682	19,466	98,148
2022	81,829	16,319	98,148
2023	85,102	13,046	98,148
2024 - 2028	241,052	25,253	266,305
Total	<u>\$ 634,054</u>	<u>\$ 123,066</u>	<u>\$ 757,120</u>

### C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 75,410
EHA Part B fund	General Fund	11,088
Total		<u>\$ 86,498</u>

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

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

### Note 4 – Restricted Assets

The restricted assets represent the cash balance and the investment balance, totaling \$2,511,040 and \$567,483, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Also included in restricted assets are the cash with fiscal agent balance and the investment balance, totaling \$59 and \$940,950, respectively, of the QSCB Retirement Fund (Debt Service Fund).

Unspent debt proceeds reported as cash in the amount of \$24,192 in the New Elementary School Capital Projects Fund (Capital Projects Fund) and the Series 2010-A Capital Projects Fund (Capital Projects Fund) are included as restricted assets. Total restricted assets shown on the Statement of Net Position is \$4,043,724.

### Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Adjustments	Balance 6/30/2018
<b>Governmental Activities:</b>					
<u><b>Non-depreciable capital assets:</b></u>					
Land	\$ 1,500				1,500
Total non-depreciable capital assets	1,500	-	-	-	1,500
<u><b>Depreciable capital assets:</b></u>					
Buildings	14,197,016				14,197,016
Building improvements	1,815,296				1,815,296
Improvements other than buildings	397,457				397,457
Mobile equipment	2,299,441	417,915		28,740	2,746,096
Furniture and equipment	1,055,370	122,030			1,177,400
Total depreciable capital assets	19,764,580	539,945	-	28,740	20,333,265
<u><b>Less accumulated depreciation for:</b></u>					
Buildings	4,192,010	279,020			4,471,030
Building improvements	455,813	66,905			522,718
Improvements other than buildings	189,401	12,240			201,641
Mobile equipment	1,429,325	135,653		5,173	1,570,151
Furniture and equipment	966,896	59,958			1,026,854
Total accumulated depreciation	7,233,445	553,776	-	5,173	7,792,394
Total depreciable capital assets, net	12,531,135	(13,831)	-	23,567	12,540,871
Governmental activities capital assets, net	\$ 12,532,635	(13,831)	-	23,567	12,542,371

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 368,476
Support services	181,582
Non-instructional	3,718
Total depreciation expense - Governmental activities	\$ 553,776

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

### Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation bonds payable	\$ 950,000		460,000	490,000	490,000
General obligation refunding bonds payable	6,955,000		65,000	6,890,000	65,000
Subtotal	7,905,000	-	525,000	7,380,000	555,000
B. Limited obligation refunding bonds payable	205,000		205,000	-	
C. Qualified school construction bonds payable	1,990,000		-	1,990,000	
D. Compensated absences payable	64,897	1,053		65,950	
Subtotal	\$ 10,164,897	1,053	730,000	9,435,950	555,000
Premium on debt issuance	125,733		10,478	115,255	
Total	10,290,630	1,053	740,478	9,551,205	

#### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2009	3.75 - 5.30%	1-Apr-09	1-Apr-19	\$ 10,000,000	\$ 490,000
2. General obligation refunding bonds, Series 2016	2.00 - 4.00%	20-Sep-16	1-Apr-29	<u>7,090,000</u>	<u>6,890,000</u>
				<u>\$ 17,090,000</u>	<u>\$ 7,380,000</u>

The following are schedules by years of the total payments due on this debt:

#### 1. General obligation bonds issued April 1, 2009:

Year Ending June 30	Principal	Interest	Total
2019	\$ 490,000	25,970	515,970
Total	<u>\$ 490,000</u>	<u>25,970</u>	<u>515,970</u>

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

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

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

Year Ending June 30	Principal	Interest	Total
2019	\$ 65,000	\$ 160,985	\$ 225,985
2020	580,000	160,400	740,400
2021	615,000	137,200	752,200
2022	650,000	112,600	762,600
2023	675,000	99,600	774,600
2024 – 2028	3,785,000	284,400	4,069,400
2029	520,000	10,400	530,400
Total	<u>\$ 6,890,000</u>	<u>\$ 965,585</u>	<u>\$ 7,855,585</u>

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 555,000	\$ 186,955	\$ 741,955
2020	580,000	160,400	740,400
2021	615,000	137,200	752,200
2022	650,000	112,600	762,600
2023	675,000	99,600	774,600
2024 – 2028	3,785,000	284,400	4,069,400
2029	520,000	10,400	530,400
Total	<u>\$ 7,380,000</u>	<u>\$ 991,555</u>	<u>\$ 8,371,555</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2017.

### Pledge of Future Revenues

A portion of the general obligation bonds payable is secured by the pledge of Educational Enhancement Fund (EEF) Buildings and Buses revenue that the school district receives from the State of Mississippi. Pledged EEF revenues will be used to pay approximately 8% of the total annual debt service payment on the two general obligation bond issues until the final maturity of this debt on April 1, 2029. The proceeds of the Series 2009 general obligation bond issue was used for the construction of the New Elementary School and various renovations of other school buildings and facilities. The proceeds of the 2016 Series was used to refund a portion of the 2009 bonds. The pledge applies first to the 2009 Series and then to the 2016 Series. The total remaining principal and interest to be paid on the bonds is \$8,371,555. Principal and interest payments for the current year and total EEF revenues were \$736,920 and \$45,201, respectively.



# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

### B. Limited obligation refunding bonds payable

Limited obligation bonds of the district are as follows:

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

This debt was retired from the MAEP Refunding Bonds 2006 Fund (Debt Service Fund) during fiscal year 2018.

### C. Qualified school construction bonds payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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

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

Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 128,753	\$ 128,753
2020	-	128,753	128,753
2021	-	128,753	128,753
2022	-	128,753	128,753
2023	-	128,753	128,753
2024 – 2026	1,990,000	386,259	2,376,259
Total	<u>\$ 1,990,000</u>	<u>\$ 1,030,024</u>	<u>\$ 3,020,024</u>

This debt will be retired from the QSCB Sinking Fund (Debt Service Fund).

### D. Compensated absences payable

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

### Note 7 – Prior Year Defeasance of Debt

In prior years, the East Jasper School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2018, \$6,480,000 of bonds outstanding are defeased.

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2018

**Note 8 – Other Commitments**

The school district has several operating leases for the following:

1. Two (2) postage meters
2. Thirteen (13) copiers

Lease expenditures for the year ended June 30, 2018, amounted to \$34,697.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2019	\$ 29,745
2020	10,247
2021	5,079
2022	2,781
Total	<u>\$ 47,852</u>

**Note 9 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

**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, 2018 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, 2018, 2017 and 2016 were \$793,584, \$795,389 and \$817,227, 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, 2018, the school district reported a liability of \$13,086,268 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was 0.078722 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.002387 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,486,959. At June 30, 2018 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	\$ 194,259	\$ 95,487
Net difference between projected and actual earnings on pension plan investments		140,021
Changes of assumptions	302,356	22,975
Changes in proportion and differences between District contributions and proportionate share of contributions	10,429	366,920
District contributions subsequent to the measurement date	793,584	
Total	\$ <u>1,300,628</u>	\$ <u>625,403</u>

\$793,584 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, 2019. 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:	
2019	\$ 87,144
2020	74,228
2021	(26,951)
2022	(252,780)

**Actuarial assumptions.** The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
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 table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) 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	\$ 17,163,514	\$ 13,086,268	\$ 9,701,268

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

### Note 10 – Other Postemployment Benefits (OPEB)

#### General Information about the OPEB Plan.

*Plan description.* State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums

EAST JASPER SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2018

collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

*Benefits provided.*

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$37,999 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

At June 30, 2018, the District reported a liability of \$891,329 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.11360164 percent. This was a decrease of 0.00440685 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$38,871. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		45,386
Net difference between projected and actual earnings on OPEB plan investments		

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

Changes in proportion and differences between District contributions and proportionate share of contributions	30,611
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District contributions subsequent to the measurement date	37,999
---	--------

Total	\$ 37,999	\$ 75,997
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\$37,999 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$ (13,333)
2020	(13,333)
2021	(13,333)
2022	(13,333)
2023	(13,333)
Thereafter	(9,332)

*Actuarial assumptions.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 914,868	\$ 891,329	\$ 873,799

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 823,202	\$ 891,329	\$ 969,103

*OPEB plan fiduciary net position.* The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

### Note 11 – 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

# EAST JASPER SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2018

compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2019	\$ 30,973
2020	26,111
2021	22,206
2022	21,905
2023	18,291
2024 – 2028	69,424
2029 – 2033	43,975
2034 – 2038	31,400
2039 – 2043	20,855
Thereafter	18,245
Total	<u>\$ 303,385</u>

### Note 12 – Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Error in recording a prior period asset or liability	(98,243)
2. Adjustment to capital assets	23,567
3. Adjustment to reflect the implementation of GASB Statement No. 75	(928,455)
Total	<u>\$ (1,003,131)</u>

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

Fund	Explanation	Amount
General Fund	Error in recording a prior period asset or liability	\$ (103,914)
EHA Part B Fund	Error in recording a prior period asset or liability	7
Other governmental funds	Error in recording a prior period asset or liability	5,664
Total		<u>\$ (98,243)</u>

### Note 13 – 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.



## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

#### Note 14 – Risk Management

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

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 39 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

#### Note 15 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2018, the subsidy payments amounted to \$103,527.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2018 was \$941,009, which included \$940,950 in investments and \$59 cash with fiscal agent. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2019	\$ 132,000
2020	133,000
2021	133,000
2022	133,000
2023	133,000
2024 – 2026	399,000
Total	<u>\$ 1,063,000</u>

## EAST JASPER SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2018

#### **Note 16 – Fund Balance Assignments**

The amount assigned for debt service (\$105,903) shown on Exhibit C represents pledged amounts of state revenue remaining on hand with the bond sinking fund agent in connection with the Series 2006 MAEP Refunding Bonds (limited obligation bonds payable) retired February 1, 2018. This amount represents pledged amounts transferred to the bond sinking fund agent remaining after the debt was retired. This debt service amount is assigned pending school board action to remove the assignment and transfer the funds to the general fund.

The amount assigned for unemployment (\$8,758) shown on Exhibit C represents the amount held in the Unemployment Compensation Fund at June 30, 2018, above the statutory requirement necessary to fill that fund.

#### **Note 17 - Insurance loss recoveries**

The East Jasper School District received \$7,470 in insurance loss recoveries during the 2017-2018 fiscal year related to property damages. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

#### **Note 18 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$3,639,859 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$558,551 balance of deferred outflow of resources at June 30, 2018 will be recognized as an expense and will decrease the net investment in capital assets net position over the next 11 years.

The unrestricted net position (deficit) amount of (\$11,371,264) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$793,584 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$507,044 balance of the deferred outflow of resources related to pensions at June 30, 2018 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$625,403 balance of the deferred inflow of resources related to pensions at June 30, 2018 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

The unrestricted net position (deficit) amount of (\$11,371,264) includes the effect of deferred inflows/outflows of resources related to OPEB. The deferred outflow of resources related to OPEB in the amount of \$37,999 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources totaling \$75,997 related to OPEB at June 30, 2018, will be recognized in OPEB expense over the next 6 years.

#### **Note 19 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the East Jasper School District evaluated the activity of the district through March 7, 2019 and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

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

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,703,540	4,363,635	4,401,038	(339,905)	37,403
State sources	3,866,393	4,177,393	4,177,393	311,000	0
Federal sources	31,900	134,711	134,711	102,811	0
Sixteenth section sources	245,255	129,374	129,374	(115,881)	0
Total Revenues	8,847,088	8,805,113	8,842,516	(41,975)	37,403
<b>Expenditures:</b>					
Instruction	4,384,534	4,164,223	3,947,363	220,311	216,860
Support services	5,609,101	5,657,905	5,415,722	(48,804)	242,183
Noninstructional services	0	14,078	14,078	(14,078)	0
Sixteenth section	39,855	31,315	28,388	8,540	2,927
Debt service:					
Principal	41,266	0	0	41,266	0
Interest	15,210	13,560	13,560	1,650	0
Total Expenditures	10,089,966	9,881,081	9,419,111	208,885	461,970
Excess (Deficiency) of Revenues over (under) Expenditures	(1,242,878)	(1,075,968)	(576,595)	166,910	499,373
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	0	7,470	7,470	7,470	0
Operating transfers in	878,909	806,112	11,088	(72,797)	(795,024)
Operating transfers out	(796,752)	(1,322,809)	(75,410)	(526,057)	1,247,399
Total Other Financing Sources (Uses)	82,157	(509,227)	(56,852)	(591,384)	452,375
Net Change in Fund Balances	(1,160,721)	(1,585,195)	(633,447)	(424,474)	951,748
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	2,391,253	2,348,105	2,348,105	(43,148)	0
Prior period adjustments	0	(104,480)	(103,914)	(104,480)	566
July 1, 2017, as restated	2,391,253	2,243,625	2,244,191	(147,628)	566
June 30, 2018	\$ 1,230,532	658,430	1,610,744	(572,102)	952,314

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

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

**Budgetary Comparison Schedule**  
**EHA Part B Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original	Final
	Original	Final		to Final	to Actual
<b>Revenues:</b>					
Federal sources	\$ 589,379	589,379	437,450	0	(151,929)
Total Revenues	589,379	589,379	437,450	0	(151,929)
<b>Expenditures:</b>					
Instruction	202,827	197,680	136,316	5,147	61,364
Support services	369,451	368,890	289,857	561	79,033
Noninstructional services	10,000	12,000	196	(2,000)	11,804
Total Expenditures	582,278	578,570	426,369	3,708	152,201
Excess (Deficiency) of Revenues over (under) Expenditures	7,101	10,809	11,081	3,708	272
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(10,564)	(11,641)	(11,088)	(1,077)	553
Total Other Financing Sources (Uses)	(10,564)	(11,641)	(11,088)	(1,077)	553
Net Change in Fund Balances	(3,463)	(832)	(7)	2,631	825
<b>Fund Balances:</b>					
July 1, 2017, as originally reported	(121,405)	0	0	121,405	0
Prior period adjustments	0	0	7	0	7
July 1, 2017, as restated	\$ (121,405)	0	7	121,405	7
June 30, 2018	(124,868)	(832)	0	124,036	832

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

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

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

**PERS**

**Last 10 Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.078722%	0.081109%	0.081984%	0.081455%
District's proportionate share of the net pension liability	\$ 13,086,268	14,488,093	12,673,110	9,887,146
District's covered payroll	\$ 5,050,089	5,188,743	5,121,429	4,977,340
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.45%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61%	57%	62%	67%

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

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

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

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 793,584	795,389	817,227	806,625
Contributions in relation to the contractually required contribution	793,584	795,389	817,227	806,625
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	5,038,629	5,050,089	5,188,743	5,121,429
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

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

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

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

**OPEB**

**Last 10 Fiscal Years\***

	<u><b>2018</b></u>
District's proportion of the net OPEB liability	% 0.11360164
District's proportionate share of the net OPEB liability	\$ 891,329
District's covered-employee payroll	\$ 5,050,089
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18%
Plan fiduciary net position as a percentage of the total OPEB liability	0%

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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years**

	<u><b>2018</b></u>
Contractually required contribution	\$ 37,999
Contributions in relation to the contractually required contribution	37,999
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 5,038,629
Contributions as a percentage of covered-employee payroll	0.75%

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.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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## EAST JASPER SCHOOL DISTRICT

### Notes to the Required Supplementary Information For the Year Ended June 30, 2018

#### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) *Changes of assumptions*

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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

EAST JASPER SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

(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.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent

EAST JASPER SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

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## SUPPLEMENTARY INFORMATION

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**EAST JASPER SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-thru Grantor 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	185MS326N1099	\$ 199,398
National school lunch program	10.555	185MS326N1099	354,485
National school lunch program - commodities	10.555	185MS326N1099	47,942
Summer feeding	10.559	185MS326N1099	30,607
Total child nutrition cluster			632,432
Fruit and vegetable program	10.582	185MS326L1603	27,641
Total passed-through Mississippi Department of Education			660,073
<b>Total U.S. Department of Agriculture</b>			<b>660,073</b>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A160024 ES010A170024	539,074
Career and technical education - basic grants to states	84.048	VO48A170024	8,729
Supporting Effective Instruction State Grants	84.367	ES367A160023 ES367A170023	103,921
Student support and academic enrichment program grants	84.424	ES424A170025	6,265
Subtotal			657,989
Special education cluster:			
Special education - grants to states	84.027	H027A160108 H027A170108	439,306
Special education - preschool grants	84.173	H173A160113 H173A170113	4,239
Total special education cluster			443,545
Total passed-through Mississippi Department of Education			1,101,534
<b>Total U.S. Department of Education</b>			<b>1,101,534</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1705MS5ADM 1805MS5ADM	17,266
Total passed-through Mississippi Department of Education			17,266
<b>Total U.S. Department of Health and Human Services</b>			<b>17,266</b>
<b><u>Social Security Administration</u></b>			
Passed-through Mississippi Department of Education:			
Medical assistance program	96.001	04-19-04MSD100	238
Total passed-through Mississippi Department of Education			238
<b>Total Social Security Administration</b>			<b>238</b>
Total for All Federal Awards			<b>\$ 1,779,111</b>

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

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**EAST JASPER SCHOOL DISTRICT**

**Supplementary Information**

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

**For the Year Ended June 30, 2018**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,193,920	4,405,789	686,368	651,488	1,450,275
Other	5,200,678	1,335,535	234,208	86,481	3,544,454
Total	<u>\$ 12,394,598</u>	<u>5,741,324</u>	<u>920,576</u>	<u>737,969</u>	<u>4,994,729</u>
Total number of students *	<u>862</u>				
Cost per student	<u>\$ 14,378</u>	<u>6,660</u>	<u>1,068</u>	<u>856</u>	<u>5,794</u>

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

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

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

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

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

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

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# EAST JASPER SCHOOL DISTRICT

## Notes to the Supplementary Information For the Year Ended June 30, 2018

### Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the East Jasper School District under programs of the federal government for the year ended June 30, 2018. 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 East Jasper School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the East Jasper School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

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## OTHER INFORMATION

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# EAST JASPER SCHOOL DISTRICT

## Other Information

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

#### General Fund

#### Last Four Years

#### UNAUDITED

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 4,401,038	4,193,143	4,055,352	3,654,255
State sources	4,177,393	4,286,083	4,356,998	4,094,123
Federal sources	134,711	22,342	51,506	63,858
Sixteenth section sources	129,374	93,992	278,268	76,488
Total Revenues	8,842,516	8,595,560	8,742,124	7,888,724
<b>Expenditures:</b>				
Instruction	3,947,363	3,641,774	3,493,360	3,465,966
Support services	5,415,722	4,894,498	3,969,358	4,206,454
Noninstructional services	14,078	1,828	1,889	26,089
Sixteenth section	28,388	52,132	56,928	54,468
Debt Service:				
Interest	13,560	15,210	16,797	21,617
Total Expenditures	9,419,111	8,605,442	7,538,332	7,774,594
Excess (Deficiency) of Revenues over (under) Expenditures	(576,595)	(9,882)	1,203,792	114,130
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	7,470			
Sale of other property		3,649		
Operating transfers in	11,088	50,152	221,970	20,000
Other financing sources			1,174	
Operating transfers out	(75,410)	(3,400)	(207,777)	(116,967)
Total Other Financing Sources (Uses)	(56,852)	50,401	15,367	(96,967)
Net Change in Fund Balances	(633,447)	40,519	1,219,159	17,163
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,348,105	2,235,389	1,016,230	728,455
Prior period adjustments	(103,914)	72,197		270,612
Beginning of period, as restated	2,244,191	2,307,586	1,016,230	999,067
End of Period	\$ 1,610,744	2,348,105	2,235,389	1,016,230

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**EAST JASPER SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 5,418,687	5,178,445	5,182,068	4,791,799
Intermediate Sources	7,495			
State sources	4,499,042	4,825,002	4,766,399	4,665,422
Federal sources	2,096,279	1,828,044	1,996,677	1,889,394
Sixteenth section sources	187,889	174,914	360,713	166,392
Total Revenues	12,209,392	12,006,405	12,305,857	11,513,007
<b>Expenditures:</b>				
Instruction	4,597,669	4,367,936	4,445,733	4,158,647
Support services	5,989,210	5,440,327	4,486,144	4,877,014
Noninstructional services	678,044	603,141	633,800	678,154
Sixteenth section	30,068	82,361	93,490	94,125
Debt service:				
Principal	730,000	754,000	636,605	680,783
Interest	362,187	319,903	529,488	565,233
Other	7,420	86,106	5,640	5,634
Total Expenditures	12,394,598	11,653,774	10,830,900	11,059,590
Excess (Deficiency) of Revenues over (under) Expenditures	(185,206)	352,631	1,474,957	453,417
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	7,470			
Proceeds of refunding bonds issued		7,090,000		
Payments held by escrow agent	132,000	132,000	141,000	147,999
Premiums on refunding bonds issued		136,211		
Sale of other property		3649		
Operating transfers in	86,498	53,552	456,145	136,967
Other financing sources			1,174	
Payment to refunded bond escrow agent		(7,140,105)		
Payments to Qualified School Construction				
Bonds debt service escrow agent	(132,000)	(132,000)	(141,000)	(147,999)
Operating transfers out	(86,498)	(53,552)	(456,145)	(136,967)
Total Other Financing Sources (Uses)	7,470	89,755	1,174	0
Net Change in Fund Balances	(177,736)	442,386	1,476,131	453,417
<b>Fund Balances:</b>				
Beginning of period, as previously reported	9,025,424	8,552,358	7,071,595	6,610,294
Prior period adjustments	(98,243)	23,707	0	12,520
Beginning of period, as restated	8,927,181	8,576,065	7,071,595	6,622,814
Increase (Decrease) in inventory	(2,021)	6,973	4,632	(4,636)
End of Period	\$ 8,747,424	9,025,424	8,552,358	7,071,595

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

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

Superintendent and School Board  
East Jasper School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jasper School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise East Jasper School District's basic financial statements, and have issued our report thereon dated March 7, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (**Repeat Finding 2018-001** and **Finding 2018-002**).

**Compliance and Other Matters**

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

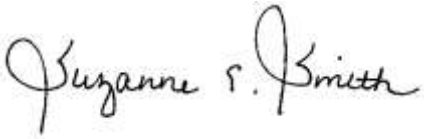
**District's Response to Findings**

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

**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  
March 7, 2019

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

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

Superintendent and School Board  
East Jasper School District

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

We have audited East Jasper School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2018. East Jasper School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of East Jasper School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Jasper School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, East Jasper School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding 2018-003, Finding 2018-004, Finding 2018-005, Finding 2018-006 and Finding 2018-007**. Our opinion on each major federal program is not modified with respect to these matters. The East Jasper School District's responses to the auditor's findings identified in our audit are described in the Auditee's Corrective Action Plan. East Jasper School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

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

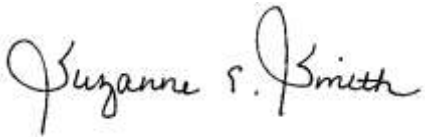
**POST OFFICE BOX 102**  
**BRANDON, MISSISSIPPI 39043**  
**PHONE: 601-938-5717**

compliance, we considered East Jasper School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Jasper School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of Findings and Questioned Costs as **Finding 2018-003, Finding 2018-004, and Finding 2018-005, Finding 2018-006, and Finding 2017-007** that we consider to be significant deficiencies. The East Jasper School District's responses to the auditor's findings identified in our audit is described in the Auditee's Corrective Action Plan. East Jasper School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
March 7, 2019



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

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

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

Superintendent and School Board  
East Jasper School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2018, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated March 7, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Repeat Finding SL2018-A: Financial Statements Furnished to the School Board. Monthly financials are required by Code Section 37-9-18, Mississippi Code Ann. (1972), to be presented to the School Board at each regular meeting for the financial activity that occurred during the previous month. The Mississippi Department of Education is charged with promulgating the types of reports and reporting requirements, including a requirement that the reports be listed as an agenda item for discussion, a requirement that the minutes of the board meeting reflect that the reports were discussed, a requirement that each board member be presented with a copy of all required reports, and a requirement that a copy of all required reports be included in the official minutes of the board meeting at which the reports were discussed. Our review of the reports presented to the school board disclosed that reports were not presented to the board in a timely manner for the 2017-2018 year. Reports were late for ten (10) of the twelve (12) months during the fiscal year. Bank statements were not reconciled in a timely manner during the year. Full bank reconciliations for all twelve (12) months were not completed and presented to the school board until December 2018, almost six (6) months after the fiscal year end. The district retained the services

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of a certified public accountant to prepare its financial statements for audit. As a part of the contract, the certified public accountant had to make numerous correcting entries to the accounting records in order to prepare the statements. This means that the district was not ready for audit at the time its financial information was transmitted to the Mississippi Department of Education in October 2018. This is a violation of Code Section 37-61-21(2), Miss. Code Ann. (1972).

**Recommendation:** We recommend that the administration provide accurate, timely reports to the school board at each regular meeting. We further recommend that all bank statements be reconciled monthly and that all adjustments and other general ledger entries be completed prior to the time that financial information is submitted to the Mississippi Department of Education following the fiscal year end date.

**District Response:**

Since we currently have our bank statements reconciled by an outside consultant, the Business Manager will submit monthly the unreconciled financial statements to the School Board, indicating that these statements prior to bank account reconciliations. The Business Manager will submit the bank statements to the consultant within 3 business days of their arrival. Upon reconciliation of the bank statements, the reconciled financial documents will be resubmitted to the School Board.

---

**Finding SL2018-B: Education Enhancement Funds for Buildings and Buses – Pledge not honored.** A portion of the district's general obligation bonds is secured by the pledge of Education Enhancement Fund (EEF) Buildings and Buses revenue that the school district receives from the State of Mississippi. Such revenues are pledged to pay approximately 8% of the total annual debt service payments on the two general obligation bond issues until the final maturity of this debt on April 1, 2029. The pledge applies first to the 2009 Series General Obligation bonds and then to the 2016 Series Refunding General Obligation bonds. For the 2018 year the district did not utilize its EEF revenue to help pay its annual debt service requirements on the bonds. Instead the district allowed the revenue to remain in the special revenue fund and accumulate.

**Recommendation:** We recommend that the district utilize the EEF Buildings and Buses revenue each year to help pay its annual debt service requirements on the outstanding general obligation bonds until the final bonds mature on April 1, 2029.

**District Response:**

When calculating the ad valorem requests each year, we will reduce the ad valorem request for debt service by this pledged amount for EEF Building and Buses.

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**Repeat Finding SL2018-C: Late 16<sup>th</sup> Section Rental Collections.** Code Section 29-3-57, Mississippi Code Ann. (1972), states it shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease. During our testing of fifteen (15) of the sixty-two (62) leases identified, we found six (6) instances where the leases were not paid during the 60-day period and where such leases were not presented to the school board for termination. The district employs the services of an outside consultant to manage its sixteenth section lands. However, there was a dis-connect between lease rental collections and the notification of the collections being made to the outside consultant. Therefore, the consultant does not have timely notice when a lease rental is late. There is also a dis-connect between board action on a lease and reporting of this action to the outside consultant.

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

**District Response:**

We will update the outside consultant when lease payments are made weekly. The lease number will be included on each receipt to ensure that the lease payment is appropriately accounted for. Each month the 16<sup>th</sup> Section Lease payments will be reconciled to the spreadsheet and that information will be forwarded to the outside consultant. The board action on all 16<sup>th</sup> section matters will be submitted to the outside consultant after each board meeting. Board approved leases will be filed at the Chancery Clerk's office after board approval.

Finding SL2018-D: Budgeting. Code Section 37-61-9, Mississippi Code Ann. (1972), states that it shall be unlawful for the school district to budget expenditures from a fund in excess of the resources available in that fund. On August 7, 2017, the board approved an original 2017-2018 budget that included seventeen (17) funds reflecting a projected negative fund balance at year end. On October 15, 2018, the board approved the final amended 2017-2018 budget that included fourteen (14) funds reflecting a projected negative fund balance at year end. None of the actual fund balances were negative at June 30, 2018; however, the approval of fund budgets with ending deficit fund balances is in violation of state law. The presentation of negative fund balances on the budget presented to the board was likely a lack of attention to appropriate budgeting practices.

Recommendation: We recommend that school district administration implement sound budgeting practices that will prevent projected negative fund balances from being presented to the school board. A thorough review of such budgets should be made prior to presentation to the board for approval.

District Response:

The Business Manager will work with an outside consultant to ensure that all journal entries are made and that all funds represent true fund balances prior to submitting a budget to the School Board. The Business Manager will work to get a true budget built without negative fund balances and submitted for board approval prior to the beginning of the fiscal year.

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Finding SL2018-E: Re-employment of PERS Retirees. Section 25-11-127 MS Code Ann. (1972), sets forth requirements for reemployment of Mississippi Public Employees' Retirement System (PERS) Retirees. A PERS Form 4B must be filed within five days of employment with the PERS agency. Out of a population of sixteen (16) retirees reemployed by the district, we reviewed the files of four (4) employees. Form 4B was prepared on all four employees. However, one of the employee's compensation exceeded the allowable amount listed on Form 4B by \$1,000. The district has no liability associated with this violation since the district secured Form 4B. The \$1,000 payment reflects a coaching supplement awarded to the re-employed retiree after Form 4B was prepared.

Recommendation: We recommend that the district continue the practice of securing a Form 4B on all PERS retirees who are reemployed. The district may further consider implementing controls that would notify both the district and the employee when the allowable compensation threshold is met for each retiree who is actively reemployed.

District Response:

If a reemployed retired employee's job responsibilities change, requiring a change in salary, a PERS Form 4B will be resubmitted within five (5) to reflect those changes.

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Finding SL2018-F. Accounting for Fixed Assets. The school district is charged with the responsibility of accounting for its fixed assets through the timely tagging of assets, the entering of asset information into subsidiary records, and an annual inventory to reconcile the physical existence of the assets to the subsidiary records. Our review of the control system and substantive testing of fixed asset transactions revealed deficiencies in the following areas: Twelve (12) depreciable assets were tagged and added to the subsidiary records but not included in the financial statements. This happened when the assets were not appropriately marked as depreciable assets. These assets totaled \$446,905.92 and included four (4) buses. Forty (40) additional items meeting the threshold for tagging and for inventory inclusion but not meeting the threshold for depreciation were also not included in the subsidiary records. Some of these forty (40) items were appropriately tagged, while others were not. When assets are not included in the subsidiary records, the inventory is not included in the annual physical count and is not verified through the annual physical inventory process. Controls surrounding the safekeeping of the equipment are greatly compromised when a reconciliation between the subsidiary records and the physical count is not performed. We further noted three instances where coding for the purchase of assets meeting the criteria to be tagged and added to the subsidiary records was incorrect with respect to object code. This makes it more difficult to capture the asset when the inappropriate object code is used.

Recommendation: We recommend that the district refine its procedures to make sure that assets being purchased are coded using the appropriate object code as a means to help capture the purchase of the asset that will be inventoried and that assets meeting the threshold for tagging and subsidiary record inclusion be immediately tagged. We further recommend that, at the time of tagging, the information about the asset be entered into the subsidiary records.

District Response:

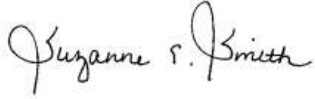
The Business Manager and the Purchasing Agent will look closely at the coding of the items on the requisitions prior to creating a purchase order. A copy of the purchase order that contain Fixed Assets will be forwarded to the Fixed Asset Clerk. Upon receipt of the items, a copy of the invoice will be given to the Fixed Asset Clerk by the person receiving the

items to ensure the items are tagged. Once the item is tagged, the Fixed Assets Clerk will enter the information into the accounting system.

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The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken. The School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on the responses.

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC

Brandon, Mississippi  
March 7, 2019

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

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

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

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

**Section II: Financial Statement Findings**

**Significant Deficiencies considered to be Material Weaknesses:**

**Repeat Finding 2018-001. Deficiencies surrounding the accrual process for payables and receivables.**

CONDITION: The district failed to reverse prior year payables in the amount of \$10,865.10 in the form of

EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

shared sixteenth section revenue payments due to other districts and erroneously reversed \$28,491.24 in claims payable in other governmental funds that existed at June 30, 2017 (claims were reversed twice in error: once by the accounting software and once through a general journal entry). The district erroneously recorded \$61,957.06 in claims payable at June 30, 2018 (the claims were recorded twice in error: once by the accounting software and once through a general journal entry). The district failed to accrue \$15,941.83 in claims in governmental funds at June 30, 2018; \$41,416.59 of oil royal revenue in the General Fund and 16<sup>th</sup> Section Principal fund at June 30, 2018; and \$8,519.63 of shared sixteenth section revenue payments due to other districts at June 30, 2018. The district did not properly accrue revenues associated with the extended year program, accruing more revenues than expenditures incurred for the 2018 year.

CRITERIA: The school district is charged with developing a system of internal controls surrounding the capturing and recording of claims payable and revenue accruals at balance sheet date. A well designed system will ensure that all claims from the previous year are correctly reversed and that all balances at the end of the fiscal year represent the actual amount of claims payable at that date. The system will further insure that revenue accruals are properly recorded.

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

EFFECT: The effect is both overstatements and understatements of expenditures and payables and understatement of revenues and receivables in governmental funds at June 30, 2018. These misstatements also affected expenditure accruals in federally reimbursed special revenue funds, thereby impacting the federal revenues associated with those expenditures. Audit adjustments were made and accepted to correct those misstatements.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district secure training in the area of accruals at the end of each fiscal year to help ensure accuracy in the recording of current year accruals and in reversing prior year accruals.

Finding 2018-002. Deficiencies surrounding the control cycle of capital assets and related expenditures.

CONDITION: Our review of the control system and substantive testing of fixed asset transactions revealed deficiencies in the following areas: Twelve (12) depreciable assets were tagged and added to the subsidiary records but not included in the financial statements. This happened when the assets were not appropriately marked as depreciable assets and failed to print on the listing of depreciable assets added during the year. These assets totaled \$446,905.92 and included four (4) buses. We noted that three purchases of assets that qualified as capital assets were made using an inappropriate object code.

CRITERIA: The school district is charged with the responsibility of accounting for its fixed assets through the timely tagging of assets, the entering of asset information into subsidiary records, and an annual inventory to reconcile the physical existence of the assets to the subsidiary records. Distinct object codes are used to mark the purchase for asset tagging and inclusion in subsidiary records.

CAUSE: The cause is a failure to follow established procedures in this area.

EFFECT: The effect was an understatement of capital assets in the amount of \$446,905.92 and an understatement in depreciation expense of \$44,595.41. As a part of the audit adjustment process, we proposed that the assets be added to the schedule of changes in capital assets. The district made the changes as proposed. After the audit adjustments were made, capital assets were properly reflected in the financial statements.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district review and refine the policies and procedures in the area of accounting for capital assets and make the needed changes to ensure that all assets purchased

EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

are added to the system and marked appropriately for depreciation when the assets meet the criteria to be classified as depreciable.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies not considered to be Material Weaknesses nor Material Non-compliance:

Finding 2018-003. Child Nutrition Cluster. 10.553/10.555/10.559. Allowable Costs/Cost Principles.

CONDITION: Expenditures totaling \$11,641.08 of the Fresh Fruits and Vegetables award (CFDA 10.582) were charged in error to the Child Nutrition Cluster of awards (Fund 2110). The district then claimed the expenditures for reimbursement under the Fresh Fruits and Vegetables award. An audit adjustment was made and proposed to correctly show these expenditures in the correct fund/program.

CRITERIA: Expenditures charged to the Child Nutrition Cluster of grants should be only for those necessary costs associated with the program.

CAUSE: The cause is a failure to appropriately separate program purchases on purchase orders and to appropriately code such purchases.

EFFECT: The effect is a control deficiency in the area of Allowable Costs/Cost Principles. This deficiency allows expenditures not associated with the Child Nutrition Cluster of awards to be charged to the funds included within that cluster.

QUESTIONED COSTS: No costs are questioned since an audit adjustment was made and accepted to correct the coding of the expenditures.

RECOMMENDATION: We recommend that the district prepare separate purchase orders for the Fresh Fruits and Vegetables grant and not combine those purchases with the purchases made for the regular lunch/breakfast program. This will help to ensure that the expenditures are coded to and paid from the appropriate fund/program.

Finding 2018-004. Child Nutrition Cluster. 10.553/10.555/10.559. Reporting.

CONDITION: The district operates under Provision 2 of the program guidance. Provision 2 requires that the district serve meals to participating children at no charge but reduces application burdens to once every 4 years and simplifies meal counting and claiming procedures by allowing a school to receive meal reimbursement based on claiming percentages. Additional 4-year extensions to Provision 2 are possible when certain conditions are met. The 2017-2018 year was the 4<sup>th</sup> year in the cycle for Provision 2 status for both breakfast and lunch at all sites. The school district uses point of sale software to capture the number of meals served for both breakfast and lunch at all three sites. The software has federal compliance edit checks built in that flag meals claimed when the meals claimed exceed daily attendance at the site. We noted numerous instances where the edits flagged instances where the number of meals claimed exceeded the daily site attendance. A comparison of daily attendance from the district's official student management information software system to the meal counts claimed for reimbursement pointed to an over claiming of 69 lunches and 73 breakfasts during the 2017-2018 year. The over claimed meals occurred primarily at the elementary school site. When applying reimbursement rates to the over claimed meals and projecting the error rate to the entire year, we were able to arrive at an over claim amount of \$1003.14 for the year.

CRITERIA: The school district must submit monthly claims in order to obtain program reimbursement. The claims must be based on actual meal counts of meals served to students. Meals served in excess of attendance for the day should be reviewed and all discrepancies resolved before including the meals in the monthly totals submitted for reimbursement.

EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

CAUSE: Our review shows that the official attendance numbers are not being updated daily in the point of sale software, The federal compliance edit check flags are not being properly investigated by program administration. The director feels that the problem is associated with delayed communication between the two servers.

EFFECT: The effect is inaccurate numbers of meals being claimed for reimbursement.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district resolve the server communication issues between the student accounting software and the point of sale software used to capture eligible meals. We further recommend that all flags on federal compliance edit check reports be investigated fully before monthly claims are filed.

Finding 2018-005.Special Education Cluster. 84.027/84.173. Cost Principles.

CONDITION: Personnel activity report forms were not available for the program director, who was working 50% under the federal program administrative cost objective and 50% under a non-federal administrative cost objective.

CRITERIA: Standards for documentation of personnel expenses under the Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) require that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must, in addition to other requirements, reasonably reflect the total activity for which the employee is compensated, encompass both federally assisted and all non-federal activities compensated by the district, comply with the established accounting policies and practices of the district., and support the distribution of the employee's salary or wages among specific activities or cost objects if the employee works on a federal award and in a non-federal area. Budget estimates alone do not qualify as support for charges to federal awards. The school district may, in lieu of using the guidance spelled out above, develop its own system of substantiating time and compensation charged to a federal award as long as all the cost substantiation objectives are met.

CAUSE: The cause is not fully understood. The district's fiscal policies require that such documentation be maintained.

EFFECT: The effect is noncompliance with the standards for documentation of personnel expenses under the Uniform Guidance.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district maintain records that meet the standards for documentation of personnel expenses under the Uniform Guidance. Current district fiscal policies should be reviewed for alignment with the Uniform Guidance.

Repeat Finding 2018-006. CFDA 84.027 Special Education – grants to states. Cash Management.

CONDITION: The district had positive cash flow in the Special Education – grants to states fund for the following months for five (5) of the twelve (12) months during the fiscal year. The district earned \$34.77 on the funds.

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

CAUSE: The cause is not fully known.

EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

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

QUESTIONED COSTS: None

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

Finding 2018-007. CFDA 84.027 Special Education – grants to states. Allowable and Unallowable Costs.

CONDITION: The district did not align its Special Education – grants to states budgeted expenditures in its financial accounting software to the project application approved by the Mississippi Department of Education.

CRITERIA: The school district is charged with developing a system of internal controls that will ensure all expenditures made from a program are budgeted. An accounting system that aligns program/fund expenditures with project applications approved by the oversight agency help to ensure that all expenditures are held to the amounts approved in the project application.

CAUSE: The cause is not fully known.

EFFECT: The effect is a control deficiency in the area of allowable and unallowable costs that would allow certain expenditures to be made in excess of the amounts allowable in the approve project application.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district review the procedures used to align fund expenditure budgets with the latest approved project applications approved by the Mississippi Department of Education for this federal award.

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## AUDITEE'S CORRECTIVE ACTION PLAN

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## AUDITEE CORRECTIVE ACTION PLAN

### Section II: Financial Statement Findings

#### Repeat Finding 2018-001. Deficiencies surrounding the accrual process for payables and receivables.

##### Corrective Action Planned:

The Business Manager will work with a trainee to look closely at the system accruals at June 30, 2019 to determine which items have been accrued and which items need to be manually accrued. The Account Payables Clerk will pay all June 2019 claims by that June 30, 2019 (if applicable). All claims that should cannot be paid by the June 30<sup>th</sup> deadline will not be given a June 30<sup>th</sup> claim date.

##### Who is Responsible for the Corrective Action:

The Business Manager and the Accounts Payable Clerk

##### When the Corrective Action will start:

The corrective action will start June 2019 with the training on June 30, 2019.

#### Finding 2018-002. Deficiencies surrounding the control cycle of capital assets and related expenditures.

##### Corrective Action Planned:

The Business Manager and the Purchasing Agent will look closely at the requisitions that are submitted to make sure they are coded correctly to ensure correct accounting of the assets. The Purchasing Agent will send copies of all purchase orders that involve fixed assets to the Fixed Asset Clerk for notification that these items are being purchased. Once the items are received, the Fixed Asset Clerk will be notified by the recipient that the items are available to be tagged. The Fixed Asset Clerk will get a copy of the invoice and enter the information into the accounting system. The Fixed Asset Clerk will enter into the system the depreciation information at the time the assets are added according to the thresholds and life cycle guidelines specified in the Fixed Asset Plan. The Fixed Asset Plan will be reviewed and revised by the Business Manager working with the Fixed Asset Clerk and the Purchasing Agent.

##### Who is Responsible for the Corrective Action:

The Fixed Asset Clerk, the Business Manager, and the Purchasing Agent.

##### When the Corrective Action will start:

The corrective action plan has been implemented as of March 5, 2019.

### Section III: Federal Award Findings and Questioned Costs

#### Finding 2018-003. Child Nutrition Cluster. 10.553/10.555/10.559. Allowable Costs/Cost Principles.

##### Corrective Action Planned:

All expenditures for the Fresh Fruit and Vegetable Program will be ordered and invoiced separately from

all Child Nutrition Programs. All involved staff were properly trained on ordering, receiving and invoices for the Fresh Fruit and Vegetable grant food and supplies.

Who is Responsible for the Corrective Action:  
Director of Child Nutrition

When the Corrective Action will start:

This plan was implemented at the beginning of the 2018-2019 school year. All parties have been trained and suppliers notified that all invoices associated with East Jasper School District's Fresh Fruit and Vegetable grant must be ordered and billed separately.

Finding 2018-004. Child Nutrition Cluster. 10.553/10.555/10.559. Reporting.

Corrective Action Planned:

Meals will be counted and recorded daily, using the computer based point of sale program. Data will be updated daily to ensure accuracy of student present count. All federal edit checks will be investigated and verified before claims are submitted. Child nutrition will work directly with student data to ensure the accuracy of student attendance; student data will provide the following information:

- When a student enters the district.
- When a student exits the district.
- When a student leaves early
- When a student is tardy/late to school
- The school's daily absentee will be sent to the cafeteria
- Monthly present count will be compared with student data

Who is Responsible for the Corrective Action:  
The Director of Child Nutrition and the Student Data Personnel

When the Corrective Action will start:

The corrective action plan has been implemented as of March 6, 2019.

Finding 2018-005.Special Education Cluster. 84.027/84.173. Cost Principles.

Corrective Action Planned:

The Director for the current year is devoted 100% to the position as a Special Education Director. The director will follow the time and effort requirements for semi-annual certification and these will be signed by the Director and the Superintendent. In the event that the Director's salary is prorated, the Director will log time in and out daily on the PAR reports and verify time with reports from the electronic time clock reports provided by the Business Manager. These reports will be submitted to the Superintendent at the beginning of each month for the previous month's time and effort.

Who is Responsible for the Corrective Action:  
The Special Education Director, The Business Manager

When the Corrective Action will start:

The corrective action plan will start at the any time the Special Education Director's time and salary are prorated.

Repeat Finding 2018-006. CFDA 84.027 Special Education – grants to states. Cash Management.

Corrective Action Planned:

The positive cash flow was the result of recoding of items after the drawdown was made. The Special Education Director will match the coding of the purchased commodities/services to the coding of the budget approved in the grant. The Business Manager will ensure the funds requested do not exceed the year-to-date expenditures at the time of the drawdowns.

Who is Responsible for the Corrective Action:  
The Special Education Director and the Business Manager

When the Corrective Action will start:

The corrective action was implemented at the beginning of the 2018-2019 school term and is on-going.

Finding 2018-007. CFDA 84.027 Special Education – grants to states. Allowable and Unallowable Costs.

Corrective Action Planned:

The Special Education Director will provide the Business Manager the correct budget to enter into the accounting system that matches the project budget approved by MDE. The Business Manager will check the budget entered into the accounting system to ensure it matches the budget in MCAPS.

Who is Responsible for the Corrective Action:

The Special Education Director and the Business Manager

When the Corrective Action will start:

The corrective action was implemented on February 15, 2019 and is on-going.

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*East Jasper County School District*  
*Administrative Offices*

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Heidelberg, Mississippi 39439



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FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS

Finding 2017-001	Corrected
Finding 2017-002	Repeat Finding at Repeat Finding 2018-001.
Finding 2017-003	Corrected
Finding 2017-004	Corrected
Finding 2017-005	Repeat Finding at Repeat Finding 2018-006.

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