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EAST JASPER SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2019



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**  
**sesmithcpa@msn.com**

**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, 2019, 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, 2019, 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.

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## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, 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, 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***

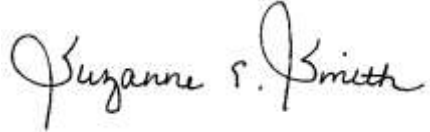
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Jasper School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, 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 August 27, 2020, on our consideration of the East Jasper School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Jasper School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Jasper School District's internal control over financial reporting and compliance.

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

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
August 27, 2020

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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EAST JASPER SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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, 2019. 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 2019 increased \$631,933, including a prior period adjustment of (\$154,533), which represents a 54% increase from fiscal year 2018. 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.
- General revenues amounted to \$10,299,049 and \$9,875,097 or 81% and 81% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,405,127, or 19% of total revenues for 2019, and \$2,334,295, or 19% of total revenues for 2018.
- The District had \$11,917,710 and \$12,399,130 in expenses for fiscal years 2019 and 2018; only \$2,405,127 for 2019 and \$2,334,295 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,299,049 for 2019 were adequate to provide for these programs, while general revenues of \$9,875,097 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$9,394,190 in revenues and \$8,695,165 in expenditures for 2019, and \$8,842,516 in revenues and \$9,419,111 in expenditures in 2018. The General Fund's fund balance increased by \$511,380, including a prior period adjustment of (\$27,512), from 2018 to 2019, and decreased by \$737,361, including a prior period adjustment of (\$103,914), from 2017 to 2018.
- Capital assets, net of accumulated depreciation, decreased by \$574,512 for 2019 and increased by \$9,736 for 2018. The decrease for 2019 was due to the increase in accumulated depreciation and the disposal of mobile equipment during the year.
- Long-term debt, including the liability for compensated absences, decreased by \$545,592 for 2019 and decreased by \$728,947 for 2018. This decrease for 2019 was due primarily to payments on outstanding debt. The liability for compensated absences increased by \$9,408 for 2019 and increased by \$1,053 for 2018.

## **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, 2019

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

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

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

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

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

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

A net pension liability 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 \$532,376 as of June 30, 2019.

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



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Management's Discussion and Analysis  
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Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.

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

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 5,478,166	\$ 4,995,330	9.67 %
Restricted assets	4,301,344	4,043,724	6.37 %
Capital assets, net	11,967,859	12,542,371	-4.58 %
<b>Total assets</b>	<b>21,747,369</b>	<b>21,581,425</b>	<b>0.77 %</b>
<b>Deferred outflows of resources</b>	<b>1,588,710</b>	<b>1,897,178</b>	<b>-16.26 %</b>
Current liabilities	224,814	412,710	-45.53 %
Long-term debt outstanding	8,995,135	9,551,205	-5.82 %
Net pension liability	13,123,747	13,086,268	0.29 %
Net OPEB liability	937,182	891,329	5.14 %
<b>Total liabilities</b>	<b>23,280,878</b>	<b>23,941,512</b>	<b>-2.76 %</b>
<b>Deferred inflows of resources</b>	<b>587,577</b>	<b>701,400</b>	<b>-16.23 %</b>
<b>Net position:</b>			
Net investment in capital assets	3,574,864	3,639,859	-1.79 %
Restricted	7,018,265	6,567,096	6.87 %
Unrestricted	(11,125,505)	(11,371,264)	2.16 %
<b>Total net position</b>	<b>\$ (532,376)</b>	<b>\$ (1,164,309)</b>	<b>54.28 %</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)	\$ (11,125,505)
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	13,567,570
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 2,442,065</u>

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

- Decrease in net capital assets in the amount of \$574,512.
- The principal retirement of \$555,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$12,704,176 and \$12,209,392, respectively. The total cost of all programs and services was \$11,917,710 for 2019 and \$12,399,130 for 2018.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2019

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

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

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 271,348	241,193	12.50 %
Operating grants and contributions	2,133,779	2,072,347	2.96 %
Capital Grants and Contributions	-	20,755	(100.00) %
General revenues:			
Property taxes	5,192,686	4,982,307	4.22 %
Grants and contributions not restricted	4,424,990	4,509,714	(1.88) %
Investment earnings	132,721	48,569	173.26 %
Sixteenth section sources	329,004	157,301	109.16 %
Other	219,648	177,206	23.95 %
<b>Total revenues</b>	<b>12,704,176</b>	<b>12,209,392</b>	<b>4.05 %</b>
<b>Expenses:</b>			
Instruction	4,613,916	4,508,902	2.33 %
Support services	4,974,707	5,297,395	(6.09) %
Non-instructional	727,402	643,898	12.97 %
Sixteenth section	53,582	30,068	78.20 %
Pension expense	1,126,758	1,486,959	(24.22) %
OPEB expense	45,400	38,871	16.80 %
Interest on long-term liabilities	375,945	393,037	(4.35) %
<b>Total expenses</b>	<b>11,917,710</b>	<b>12,399,130</b>	<b>(3.88) %</b>
<b>Increase (Decrease) in net position</b>	<b>786,466</b>	<b>(189,738)</b>	<b>514.50 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(1,164,309)</b>	<b>28,560</b>	<b>(4,176.71) %</b>
<b>Prior Period Adjustment</b>	<b>(154,533)</b>	<b>(1,003,131)</b>	<b>84.59 %</b>
<b>Net Position, July 1, as restated</b>	<b>(1,318,842)</b>	<b>(974,571)</b>	<b>(35.33) %</b>
<b>Net Position, June 30</b>	<b>\$ (532,376)</b>	<b>(1,164,309)</b>	<b>54.28 %</b>

**Governmental activities**

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, 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.

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Management's Discussion and Analysis  
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**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Instruction	\$ 4,613,916	\$ 4,508,902	2.33 %
Support services	4,974,707	5,297,395	(6.09) %
Non-instructional	727,402	643,898	12.97 %
Sixteenth section	53,582	30,068	78.20 %
Pension Expense	1,126,758	1,486,959	(24.22) %
OPEB Expense	45,400	38,871	16.80 %
Interest on long-term liabilities	375,945	393,037	(4.35) %
<b>Total expenses</b>	<b>\$ 11,917,710</b>	<b>\$ 12,399,130</b>	<b>(3.88) %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Instruction	\$ (3,627,162)	\$ (3,743,995)	3.12 %
Support services	(4,525,735)	(4,654,002)	2.76 %
Non-instructional	98,391	166,144	(40.78) %
Sixteenth section	(13,945)	(17,642)	20.96 %
Pension Expense	(1,126,758)	(1,486,959)	24.22 %
OPEB Expense	(45,400)	(38,871)	(16.80) %
Interest on long-term liabilities	(271,974)	(289,510)	6.06 %
<b>Total net (expense) revenue</b>	<b>\$ (9,512,583)</b>	<b>\$ (10,064,835)</b>	<b>5.49 %</b>

- Net cost of governmental activities [(\$9,512,583) for 2019 and (\$10,064,835) for 2018] was financed by general revenue, which is primarily made up of property taxes (\$5,192,686 for 2019 and \$4,982,307 for 2018) and state and federal revenues (\$4,424,990 for 2019 and \$4,509,714 for 2018). In addition, there was \$329,004 and \$157,301 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$132,721 for 2019 and \$48,569 for 2018.

## 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.

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The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$9,669,226, a decrease of \$921,802, which includes a prior period adjustment of (\$27,512) and a decrease in inventory of \$3,453. \$1,817,992 or 19% 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 \$7,851,234 or 81% 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 increase in fund balance in the General Fund for the fiscal year was \$511,380, including a prior period adjustment of (\$27,512). The fund balance of Other Governmental Funds showed an increase in the amount of \$125,325, which includes a decrease in reserve for inventory of \$3,453. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
QSCB Sinking Fund	\$ 195,671
16th Section Principal Fund	89,426

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2019, the District's total capital assets were \$19,909,049, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$425,716 from 2018. Total accumulated depreciation as of June 30, 2019, was \$7,941,190, and total depreciation expense for the year was \$479,066, resulting in total net capital assets of \$11,967,859.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 3,700	\$ 1,500	146.67 %
Buildings	9,395,974	9,725,986	(3.39) %
Building improvements	1,225,673	1,292,578	(5.18) %
Improvements other than buildings	183,576	195,816	(6.25) %
Mobile equipment	988,238	1,175,945	(15.96) %
Furniture and equipment	170,698	150,546	13.39 %
<b>Total</b>	<b><u>\$ 11,967,859</u></b>	<b><u>\$ 12,542,371</u></b>	<b><u>(4.58) %</u></b>

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

**Debt Administration.** At June 30, 2019, the District had \$8,890,358 in outstanding long-term debt, including the liability for compensated absences, of which \$580,000 is due within one year. The liability for compensated absences increased \$9,408 from the prior year.

EAST JASPER SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ -	\$ 490,000	(100.00) %
General obligation refunding bonds payable	6,825,000	6,890,000	(0.94) %
Qualified school construction bonds payable	1,990,000	1,990,000	0.00 %
Compensated absences payable	75,358	65,950	14.27 %
<b>Total</b>	<b><u>\$ 8,890,358</u></b>	<b><u>\$ 9,435,950</u></b>	<b><u>(5.78) %</u></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, 2019**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,977,910
Investments	172,629
Due from other governments	254,905
Other receivables, net	36,773
Prepaid items	21,804
Inventories	14,145
Restricted assets	4,301,344
Capital assets, net of accumulated depreciation	11,967,859
Total Assets	<u>21,747,369</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - advance refunding of debt	507,774
Deferred outflows - pensions	982,999
Deferred outflows - OPEB	97,937
Total deferred outflows of resources	<u>1,588,710</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	103,575
Interest payable on long-term liabilities	114,530
Unearned revenue	6,709
Long-term liabilities, due within one year:	
Capital related liabilities	580,000
Net OPEB liability	39,695
Long-term liabilities, due beyond one year:	
Capital related liabilities	8,235,000
Bond premium	104,777
Non-capital related liabilities	75,358
Net pension liability	13,123,747
Net OPEB liability	897,487
Total Liabilities	<u>23,280,878</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	495,560
Deferred inflows - OPEB	92,017
Total deferred inflows of resources	<u>587,577</u>
<b>Net Position</b>	
Net investment in capital assets	3,574,864
Restricted for:	
Expendable:	
Ad valorem	216,987
School-based activities	770,630
Debt service	2,143,767
Forestry improvement	167,615
Unemployment benefits	13,380
Nonexpendable:	
Sixteenth section	3,705,886
Unrestricted	(11,125,505)
Total Net Position	<u>\$ (532,376)</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, 2019**

Functions/Programs	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	\$ 4,613,916	192,329	794,425	(3,627,162)
Support services	4,974,707	1,020	447,952	(4,525,735)
Non-instructional	727,402	38,362	787,431	98,391
Sixteenth section	53,582	39,637		(13,945)
Pension expense	1,126,758			(1,126,758)
OPEB expense	45,400			(45,400)
Interest on long-term liabilities	375,945		103,971	(271,974)
Total Governmental Activities	<u>\$ 11,917,710</u>	<u>271,348</u>	<u>2,133,779</u>	<u>0</u>
General Revenues:				
Taxes:				
General purpose levies				4,257,702
Debt purpose levies				934,984
Unrestricted grants and contributions:				
State				4,406,517
Federal				18,473
Sixteenth section				329,004
Unrestricted investment earnings				132,721
Other				219,648
Total General Revenues				<u>10,299,049</u>
Change in Net Position				<u>786,466</u>
Net Position - Beginning, as previously reported				(1,164,309)
Prior Period Adjustments				<u>(154,533)</u>
Net Position - Beginning, as restated				<u>(1,318,842)</u>
Net Position - Ending				<u>\$ (532,376)</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**

**Exhibit C**

**June 30, 2019**

	Major Funds				
	General Fund	QSCB Sinking Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 2,557,173		2,574,768	2,439,744	7,571,685
Cash with fiscal agents		496			496
Investments		1,136,184	570,888	172,629	1,879,701
Due from other governments	71,132			183,773	254,905
Due from other funds	188,051		98,223	15,479	301,753
Advances to other funds			562,320		562,320
Other receivables	26,658		4,828		31,486
Prepaid items	21,804				21,804
Inventories				14,145	14,145
Total assets	2,864,818	1,136,680	3,811,027	2,825,770	10,638,295
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	64,830			35,897	100,727
Due to other funds	115,544			183,769	299,313
Advances from other funds	562,320				562,320
Unearned revenue				6,709	6,709
Total Liabilities	742,694	0	0	226,375	969,069
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Permanent fund			3,143,566		3,143,566
Advances			562,320		562,320
Inventory				14,145	14,145
Prepaid items	21,804				21,804
<b>Restricted:</b>					
Ad valorem	216,987				216,987
Debt service		1,136,680		1,121,617	2,258,297
Forestry improvements				167,615	167,615
Grant activities				734,681	734,681
Capital improvements				19,008	19,008
Unemployment benefits				13,380	13,380
<b>Assigned:</b>					
Student activities	57,590				57,590
Instructional activities	7,751				7,751
Debt service				105,903	105,903
Capital improvements			105,141	411,426	516,567
Unemployment benefits				11,620	11,620
<b>Unassigned</b>	1,817,992				1,817,992
Total Fund Balances	2,122,124	1,136,680	3,811,027	2,599,395	9,669,226
Total liabilities and fund balances	\$ 2,864,818	1,136,680	3,811,027	2,825,770	10,638,295

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 June 30, 2019

Exhibit C-1

<b>Total fund balances for governmental funds</b>	<b>\$</b>	<b>9,669,226</b>
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Amounts reported for governmental activities in the statement of Net Position are different because:

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

Land	3,700	
Buildings	14,061,098	
Building improvements	1,815,296	
Improvements other than buildings	397,457	
Mobile equipment	2,406,635	
Furniture and equipment	1,224,863	
Accumulated depreciation	<u>(7,941,190)</u>	11,967,859

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

Net pension liability	(13,123,747)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	982,999	
Deferred inflows of resources related to pensions	<u>(495,560)</u>	(12,636,308)

3. 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	(937,182)	
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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	97,937	
Deferred inflows of resources related to OPEB	<u>(92,017)</u>	(931,262)

4. 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	(6,825,000)	
Qualified school construction bonds payable	(1,990,000)	
Deferred outflows - advance refunding of debt	507,774	
Unamortized bond premium	(104,777)	
Compensated absences	(75,358)	
Accrued interest payable	<u>(114,530)</u>	(8,601,891)

<b>Net Position of governmental activities</b>	<b>\$</b>	<b><u>(532,376)</u></b>
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The notes to the financial statements are an integral part of this statement.

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**EAST JASPER SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

**For the Year Ended June 30, 2019**

	Major Funds			Other	Total
	General Fund	QSCB Sinking Fund	16th Section Principal Fund	Governmental Funds	Governmental Funds
<b>Revenues:</b>					
Local sources	\$ 4,679,679	63,731	46,520	988,435	5,778,365
State sources	4,396,850			224,855	4,621,705
Federal sources	36,009			1,901,055	1,937,064
Sixteenth section sources	281,652		42,906	44,083	368,641
Total Revenues	9,394,190	63,731	89,426	3,158,428	12,705,775
<b>Expenditures:</b>					
Instruction	4,137,549			991,204	5,128,753
Support services	4,471,318			436,413	4,907,731
Noninstructional services	15,221			742,339	757,560
Sixteenth section	42,389			11,193	53,582
Facilities acquisition and construction	2,200				2,200
Debt service:					
Principal				555,000	555,000
Interest	26,488			315,708	342,196
Other				5,986	5,986
Total Expenditures	8,695,165	0	0	3,057,843	11,753,008
Excess (Deficiency) of Revenues over (under) Expenditures	699,025	63,731	89,426	100,585	952,767
<b>Other Financing Sources (Uses):</b>					
Payments held by escrow agent		131,940			131,940
Operating transfers in	91,578			251,711	343,289
Operating transfers out	(251,711)			(91,578)	(343,289)
Payment to QSCB debt escrow agent				(131,940)	(131,940)
Total Other Financing Sources (Uses)	(160,133)	131,940	0	28,193	0
Net Change in Fund Balances	538,892	195,671	89,426	128,778	952,767
<b>Fund Balances:</b>					
July 1, 2018, as previously reported	1,610,744	941,009	3,721,601	2,474,070	8,747,424
Prior period adjustments	(27,512)				(27,512)
July 1, 2018, as restated	1,583,232	941,009	3,721,601	2,474,070	8,719,912
Decrease in inventory				(3,453)	(3,453)
June 30, 2019	\$ 2,122,124	1,136,680	3,811,027	2,599,395	9,669,226

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, 2019**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 952,767

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	\$ 62,621	
Depreciation expense	(479,066)	(416,445)

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

	(31,072)	(31,072)
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3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	555,000	
Amortization of deferred amount on refunding	(50,777)	
Amortization of bond premium	10,478	
Accrued interest payable	6,550	521,251

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

Pension expense	(1,126,758)	
Contributions subsequent to the measurement date	901,493	(225,265)

5. 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	(45,400)	
Contributions subsequent to the measurement date	43,490	(1,910)

6. 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	(9,408)	
Change in inventory reserve	(3,453)	(12,861)

7. Rounding

1

**Change in Net Position of governmental activities**

\$ 786,466

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, 2019**

**Exhibit E**

		Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$	375,658
Due from other funds		<u>2,847</u>
Total Assets		<u><u>378,505</u></u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		367,161
Due to other funds		5,287
Due to student clubs		<u>6,057</u>
Total Liabilities	\$	<u><u>378,505</u></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 the Year Ended June 30, 2019

**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 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

EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

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

The school district reports the following major governmental funds:

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

**QSCB Sinking Fund** – This debt service fund is used to account for resources restricted for the retirement of the Series 2011 Qualified School Construction Bonds.

**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 various funds account for the monies raised through student club activities.

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

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

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

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

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

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

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

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

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

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

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

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.



EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

**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 fund balances**

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

**Cash and cash equivalents**

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

**Investments**

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

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

Investments for the district are reported at fair 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.

EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

5. Restricted Assets

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

6. Capital Assets

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

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

The following schedule details the capitalization thresholds:

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

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

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)

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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 (pensions), Note 10 (OPEB), and Note 17 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. 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, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

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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 such a commitment by the school board. Currently there is no committed fund balance for the 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 action of the district business manager pursuant to authorization established by school board policy.

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

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

## **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

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would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,571,685 and \$375,658, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$496.

#### Investments

As of June 30, 2019, the district had the following investments:

Investment Type	Rating	<u>Maturity</u> (in Years)	Fair Value
Certificates of deposit	N/A	Less than 1 year	\$ 743,517
QSCB Construction Bonds Common Trust Funds	N/A	Less than 1 year	1,136,184
		Total	\$ <u>1,879,701</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, 2019:

- All investments are valued using quoted market prices (Level 1 inputs)

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*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, 2019, the district had the following investments to which this applies:

Issuer		Fair Value	% of Total Investments
Certificates of deposit	\$	743,517	40%

### Note 3 – Inter-fund Receivables, Payables and Transfers

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

#### A. Due from/to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 183,122
	Fiduciary funds	4,929
16th Section Principal Fund	General Fund	98,223
Other governmental funds	General Fund	15,121
	Fiduciary funds	358
Fiduciary funds	General Fund	2,200
	Other governmental funds	647
		<u>\$ 304,600</u>

The inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenues funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the Federal government. Interfund balances also represent amounts in fiduciary funds due to the governmental funds and interest on interfund advances due from the General Fund to the 16<sup>th</sup> Section Principal Fund.

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**B. Advances from/to other funds**

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 562,320
		<u>\$ 562,320</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 16<sup>th</sup> Section Principal Fund (Permanent Fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. The interest rate on the sixteenth section principal loans payable as of June 30, 2019, 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
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	88,506	9,642	98,148
2025-2028	152,546	15,611	168,157
Total	<u>\$ 562,320</u>	<u>\$ 96,577</u>	<u>\$ 658,897</u>

**C. Inter-fund transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 251,711
Other governmental funds	General Fund	91,578
Total		<u>\$ 343,289</u>

Inter-fund transfers represent transfers of indirect costs from special revenue funds to the General Funds and operational transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash and cash equivalents balance and the investment balances of \$2,574,768 and \$570,888 of the 16<sup>th</sup> 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 and investment balances, totaling \$496 and \$1,136,184, respectively, of the QSCB Sinking Fund (Debt Service Fund).

Unspent debt proceeds reported as cash in the amount of \$19,008 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.

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Total restricted assets shown on the Statement of Net Position is \$4,301,344.

## Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,500	2,200			3,700
Total non-depreciable capital assets	1,500	2,200	-	-	3,700
<u>Depreciable capital assets:</u>					
Buildings	14,197,016			(135,918)	14,061,098
Building improvements	1,815,296				1,815,296
Improvements other than buildings	397,457				397,457
Mobile equipment	2,746,096		310,721	(28,740)	2,406,635
Furniture and equipment	1,177,400	60,421		(12,958)	1,224,863
Total depreciable capital assets	20,333,265	60,421	310,721	(177,616)	19,905,349
<u>Less accumulated depreciation for:</u>					
Buildings	4,471,030	226,715		(32,621)	4,665,124
Building improvements	522,718	66,905			589,623
Improvements other than buildings	201,641	12,240			213,881
Mobile equipment	1,570,151	133,067	279,649	(5,172)	1,418,397
Furniture and equipment	1,026,854	40,139		(12,828)	1,054,165
Total accumulated depreciation	7,792,394	479,066	279,649	(50,621)	7,941,190
Total depreciable capital assets, net	12,540,871	(418,645)	31,072	(126,995)	11,964,159
Governmental activities capital assets, net	\$ 12,542,371	(416,445)	31,072	(126,995)	11,967,859

Adjustments we made to adjust beginning balances to reflect the disposal of certain assets in prior years or were in the subsidiary record system as a duplicate to a previously existing asset.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 10,450
Support services	464,898
Non-instructional	3,718
Total depreciation expense - Governmental activities	<u>\$ 479,066</u>

## Note 6 – Long-term Liabilities

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



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	Balance 7/1/2018	Additions	Reductions	Balance 30-Jun-19	Amounts due within one year
A. General obligation bonds payable	\$ 490,000		490,000	-	
General obligation refunding bonds payable	6,890,000		65,000	6,825,000	580,000
B. Qualified school construction bonds payable	1,990,000			1,990,000	
C. Compensated absences payable	65,950	9,408	-	75,358	
Subtotal	<u>\$ 9,435,950</u>	<u>9,408</u>	<u>555,000</u>	<u>8,890,358</u>	<u>580,000</u>
Add: Bond Premium	115,255		10,478	104,777	
	<u>\$ 9,551,205</u>	<u>9,408</u>	<u>565,478</u>	<u>8,995,135</u>	

**A. General Obligation bonds payable**

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

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds,	3.75 -				
1. Series 2009	5.30%	1-Apr-09	1-Apr-19	\$ 10,000,000	-
General obligation refunding					
2. bonds, Series 2016	2.00 - 4.00%	20-Sep-16	1-Apr-29	7,090,000	6,825,000
				<u>\$ 17,090,000</u>	<u>6,825,000</u>

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

- The general obligation bonds issued on April 1, 2009, were fully retired from the \$10M GO Bond Debt Service Fund (Debt Service Fund) during the year.
- General obligation refunding bonds issued on September 20, 2016:

Year Ending June 30	Principal	Interest	Total
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	705,000	86,100	791,100
2025-2029	3,600,000	208,700	3,808,700
Total	<u>\$ 6,825,000</u>	<u>\$ 804,600</u>	<u>\$ 7,629,600</u>

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This debt will be retired from the \$7M GO Refunding Bond Series 2016 Fund (Debt Service Fund). The total 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 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, 2019, the amount of outstanding bonded indebtedness was equal to 7 percent (%) of property assessments as of October 1, 2018.

**Pledge of Future Revenues**

A portion of the general obligation refunding 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 6% of the annual debt service payment on the outstanding general obligation refunding bonds payable 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. This bond issue was fully retired during the fiscal year. The proceeds of the 2016 Series was used to refund a portion of the 2009 bonds. The pledge of funds applies to the 2016 Series. The total remaining principal and interest to be paid on the bonds is \$7,629,600. Principal and interest payments for the current year and total EEF revenues were \$741,955 and \$45,201, respectively.

**B. Qualified school construction bonds payable**

As more fully explained in Note 16, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	128,753	128,753
2021	-	128,753	128,753
2022	-	128,753	128,753
2023	-	128,753	128,753
2024	-	128,753	128,753
2025-2026	1,990,000	257,506	2,247,506
Total	<u>\$ 1,990,000</u>	<u>\$ 901,271</u>	<u>\$ 2,891,271</u>

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

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**C. 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, 2019, none of the bonds outstanding are defeased.

**Note 8 – Other Commitments**

The school district has several operating leases for the following:

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

Lease expenditures for the year ended June 30, 2019, amount to \$30,709.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	\$ 18,079
2021	12,911
2022	9,143
2023	3,542
Total	<u>\$ 43,675</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 is available at [www.pers.ms.gov](http://www.pers.ms.gov).

*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

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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.

*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, 2019 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, 2019, 2018 and 2017 were \$901,493, \$793,584 and \$795,389, 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, 2019, the school district reported a liability of \$13,123,747 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019 net pension liability was 0.078902 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.000180 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,126,758. At June 30, 2019 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	\$ 58,791	\$ 55,197
Net difference between projected and actual earnings on pension plan investments		236,605
Changes of assumptions	7,726	7,451
Changes in proportion and differences between District contributions and proportionate share of contributions	14,989	196,307
District contributions subsequent to the measurement date	901,493	
<b>Total</b>	<b>\$ 982,999</b>	<b>\$ 495,560</b>

\$901,493 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ending June 30:	
2020	\$ 24,700
2021	(76,481)
2022	(303,256)
2023	(59,017)

*Actuarial assumptions.* The total pension liability in the June 30, 2018 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

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 for males with adjustments.

The actuarial assumptions used in the June 30, 2018 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 (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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

EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 17,280,209	\$ 13,123,747	\$ 9,669,178

*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 collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

### *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 \$43,490 and \$37,999 for the years ended June 30, 2019 and June 30, 2018, respectively.

EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

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

At June 30, 2019, the District reported a liability of \$937,182 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018, the District's proportion was 0.12115343 percent. This was an increase of 0.00755179 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$45,400. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,908	\$
Changes of assumptions		66,776
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	52,539	25,241
District contributions subsequent to the measurement date	43,490	
Total	\$ <u>97,937</u>	\$ <u>92,017</u>

\$43,490 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ (8,754)
2021	(8,754)
2022	(8,754)
2023	(8,754)
2024	(4,597)
Thereafter	2,043

*Actuarial assumptions.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

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	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

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 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, 2018 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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%. The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an 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 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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:



EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,038,843	\$ 937,182	\$ 849,751

*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	\$ 868,141	\$ 937,182	\$ 1,015,594

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

#### 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 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
2020	\$ 48,525
2021	23,259
2022	19,131
2023	15,291
2024	14,826
2025 – 2029	59,991
2030 – 2034	44,758
2035 – 2039	37,740
2040 - 2044	25,838
Thereafter	25,506
Total	<u>\$ 314,865</u>

#### Note 12 – Prior Period Adjustments

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

EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

Exhibit B - Statement of Activities

Explanation	Amount
Error in recording a prior period asset or liability	\$ (27,512)
Restatement of a capital asset and depreciation	(126,995)
Restatement of prior period OPEB liability	(26)
Total	<u>\$ (154,533)</u>

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

Explanation	Amount
General Fund Error in recording a prior period asset or liability	\$ (27,512)
Total	<u>\$ (27,512)</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. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**Note 14 – Fund Balance Assignments**

The amount assigned for Unemployment (\$11,620) shown on Exhibit C represents the amount held in the Unemployment Compensation Fund at June 30, 2019, which is above the statutory requirement necessary to fill that fund. The amount assigned for Capital Improvements shown on Exhibit C represents interest income of \$105,141 earned and held in the 16<sup>th</sup> Section Principal Fund (permanent fund). Upon an order of the school board, the amount may be transferred to the General Fund. The amount assigned for Capital Improvements on Exhibit C also represents unrestricted balances transferred into capital improvement funds for future improvement projects in other governmental funds (\$411,426). Amounts assigned for Debt Service in other governmental funds, \$105,903, represents residual unrestricted amounts held in debt service funds above requirements to service the debt.

**Note 15 – Risk Management**

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association 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 49 school districts and covers liability related losses the member

EAST JASPER SCHOOL DISTRICT  
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For the Year Ended June 30, 2019

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 16 – 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 nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors received Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCBs 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, 2019, the subsidy payments amounts to \$103,971.

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, 2019, was \$1,136,680, which includes cash with fiscal agent and investments. 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
2020	\$ 133,000
2021	133,000
2022	133,000
2023	133,000
2024	133,000
2025 - 2026	266,000
Total	<u>\$ 931,000</u>

**Note 17 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$3,754,864 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and deferred bond premiums. The \$507,774 balance of deferred outflow of resources at June 30, 2019, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 10 years. The \$104,777 balance of the deferred bond premiums at June 30, 2019, will be recognized as a decrease in an expense and will increase the net investment in capital assets net position over the next 10 years.

The unrestricted net position amount of (\$11,125,505) includes the effect of deferring the recognition of

EAST JASPER SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$901,493 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$81,506 balance of deferred outflow of resources related to pensions at June 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$11,125,505) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$495,560 balance of deferred inflow of resources related to pensions at June 30, 2019, will be recognized as revenues and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$11,125,505) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$43,490 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$54,447 balance of deferred outflow of resources related to OPEB at June 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$11,125,505) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$92,017 balance of deferred inflow of resources related to OPEB at June 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

#### **Note 18 – 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 August 27, 2020, and determined that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

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## REQUIRED SUPPLEMENTARY INFORMATION

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

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2019**

				Variances	
				Positive (Negative)	
	Original	Final	Actual (GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,674,906	4,653,022	4,679,679	(21,884)	26,657
State sources	4,168,391	4,396,850	4,396,850	228,459	0
Federal sources	75,811	36,009	36,009	(39,802)	0
Sixteenth section sources	97,445	281,652	281,652	184,207	0
Total Revenues	9,016,553	9,367,533	9,394,190	350,980	26,657
<b>Expenditures:</b>					
Instruction	4,192,169	4,137,549	4,137,549	54,620	0
Support services	4,965,742	4,471,318	4,471,318	494,424	0
Noninstructional services	12,007	15,221	15,221	(3,214)	0
Sixteenth section	32,832	42,389	42,389	(9,557)	0
Facilities acquisition and construction	60,000	2,200	2,200	57,800	0
Debt service:					
Principal	41,266	0	0	41,266	0
Interest	26,489	26,488	26,488	1	0
Total Expenditures	9,330,505	8,695,165	8,695,165	635,340	0
Excess (Deficiency) of Revenues over (under) Expenditures	(313,952)	672,368	699,025	986,320	26,657
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,005,780	961,446	91,578	(44,334)	(869,868)
Operating transfers out	(1,234,291)	(1,420,621)	(251,711)	(186,330)	1,168,910
Total Other Financing Sources (Uses)	(228,511)	(459,175)	(160,133)	(230,664)	299,042
Net Change in Fund Balances	(542,463)	213,193	538,892	755,656	325,699
<b>Fund Balances:</b>					
July 1, 2018, as previously stated	1,323,071	1,610,744	1,610,744	287,673	0
Prior period adjustments	0	(27,512)	(27,512)	(27,512)	0
July 1, 2018, as restated	1,323,071	1,583,232	1,583,232	260,161	0
June 30, 2019	\$ 780,608	1,796,425	2,122,124	1,015,817	325,699

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	% 0.078902	0.078722	0.081109	0.081984	0.081455
District's proportionate share of the net pension liability	\$ 13,123,747	13,086,268	14,488,093	12,673,110	9,887,146
District's covered payroll	\$ 5,038,629	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	260.46%	259.13%	279.22%	247.45%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	63%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 901,493	793,584	795,389	817,227	806,625
Contributions in relation to the contractually required contribution	901,493	793,584	795,389	817,227	806,625
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 5,723,765	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%	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>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	% 0.12115343	0.11360164
District's proportionate share of the net OPEB liability	\$ 937,182	891,329
District's covered-employee payroll	\$ 5,038,629	5,050,089
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	19%	18%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ 43,490	37,999
Contributions in relation to the actuarially determined contribution	43,490	37,999
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>
District's covered-employee payroll	\$ 5,723,765	5,038,629
Contributions as a percentage of covered-employee payroll	0.76%	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. Prior year information is based on historical amounts reported in prior year audit report(s).



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EAST JASPER SCHOOL DISTRICT  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

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%.

(2) *Changes in benefit provisions*

EAST JASPER SCHOOL DISTRICT  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

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, 2016 valuation for the June 30, 2018 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	36.6 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.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

- (2) *Changes in benefit provisions*

2017: None

2018: 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, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%

EAST JASPER SCHOOL DISTRICT  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

Salary increases, including wage inflation	3.25% to 18.50%
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Initial health care cost trend rates	
Medicare Supplement Claims	7.75%
Pre-Medicare	

Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00%
Pre-Medicare	

Year of ultimate trend rates	
Medicare Supplement Claims	2023
Pre-Medicare	

Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%
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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, 2019**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	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	195MS326N1099	\$ 256,619
National school lunch program	10.555	195MS326N1099	436,946
National school lunch program - donated commodities	10.555	195MS326N1099	52,498
Summer Feeding	10.559	195MS326N1099	55,207
Total child nutrition cluster			<u>801,270</u>
Total passed-through Mississippi Department of Education			<u>801,270</u>
Fruit and vegetable program	10.582	195MS326N1099	20,265
<b>Total U.S. Department of Agriculture</b>			<u><u>821,535</u></u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024 ES010A180024 ES010A190024	667,994
Career and technical education - basic grants to states	84.048	V048A180024	6,667
Rural education	84.358	ES358A180024 ES358A190024	31,658
Supporting effective instruction state grants	84.367	ES367A170023 ES367A180023 ES367A190023	69,151
Student support and academic enrichment program grants	84.424	ES424A180025 ES424A190025	25,102
Subtotal			<u>800,572</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108 H027A190108	208,299
Special education - preschool grants	84.173	H173A190113	9,388
Total special education cluster			<u>217,687</u>
Total passed-through Mississippi Department of Education			<u>1,018,259</u>
<b>Total U.S. Department of Education</b>			<u><u>1,018,259</u></u>
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	15,511
Total passed-through Mississippi Department of Education			<u>15,511</u>
<b>Total U. S. Department of Health and Human Services</b>			<u><u>15,511</u></u>
<b><u>U. S. Department of Social Security</u></b>			
Passed-through Mississippi Department of Education:			
Social security disability insurance	96.001	04-19-04MSD100	154
Total passed-through Mississippi Department of Education			<u>154</u>
<b>Total U. S. Department of Social Security</b>			<u><u>154</u></u>
<b>Total for All Federal Awards</b>			<u><u>\$ 1,855,459</u></u>

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, 2019**

<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	\$ 7,945,540	4,757,926	582,223	660,944	1,944,447
Other	3,807,468	746,087	449,918	42,372	2,569,091
Total	<u>\$ 11,753,008</u>	<u>5,504,013</u>	<u>1,032,141</u>	<u>703,316</u>	<u>4,513,538</u>
Total number of students *	<u>811</u>				
Cost per student	<u>\$ 14,492</u>	<u>6,787</u>	<u>1,273</u>	<u>867</u>	<u>5,565</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

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

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EAST JASPER SCHOOL DISTRICT  
Notes to the Supplementary Information  
For the Year Ended June 30, 2019

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, 2019. 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 same basis of accounting and using the same significant accounting policies, as applicable, as those used for the financial statements. 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.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and using the same significant accounting policies, as applicable, as those used for the financial statements.

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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**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 4,679,679	4,401,038	4,193,143	4,055,352
State sources	4,396,850	4,177,393	4,286,083	4,356,998
Federal sources	36,009	134,711	22,342	51,506
Sixteenth section	281,652	129,374	93,992	278,268
Total Revenues	9,394,190	8,842,516	8,595,560	8,742,124
<b>Expenditures:</b>				
Instruction	4,137,549	3,947,363	3,641,774	3,493,360
Support services	4,471,318	5,415,722	4,894,498	3,969,358
Noninstructional services	15,221	14,078	1,828	1,889
Sixteenth section	42,389	28,388	52,132	56,928
Facilities acquisition and construction	2,200			
Debt service:				
Interest	26,488	13,560	15,210	16,797
Total Expenditures	8,695,165	9,419,111	8,605,442	7,538,332
Excess (Deficiency) of Revenues over (under) Expenditures	699,025	(576,595)	(9,882)	1,203,792
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries		7,470		
Sale of other property			3,649	
Operating transfers in	91,578	11,088	50,152	221,970
Other financing sources				1,174
Operating transfers out	(251,711)	(75,410)	(3,400)	(207,777)
Total Other Financing Sources (Uses)	(160,133)	(56,852)	50,401	15,367
Net Change in Fund Balances	538,892	(633,447)	40,519	1,219,159
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,610,744	2,348,105	2,235,389	1,016,230
Prior period adjustments	(27,512)	(103,914)	72,197	0
Beginning of period, as restated	1,583,232	2,244,191	2,307,586	1,016,230
End of Period	\$ 2,122,124	1,610,744	2,348,105	2,235,389

\*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**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 5,778,365	5,418,687	5,178,445	5,182,068
Intermediate sources		7,495		
State sources	4,621,705	4,499,042	4,825,002	4,766,399
Federal sources	1,937,064	2,096,279	1,828,044	1,996,677
Sixteenth section sources	368,641	187,889	174,914	360,713
Total Revenues	12,705,775	12,209,392	12,006,405	12,305,857
<b>Expenditures:</b>				
Instruction	5,128,753	4,597,669	4,367,936	4,445,733
Support services	4,907,731	5,989,210	5,440,327	4,486,144
Noninstructional services	757,560	678,044	603,141	633,800
Sixteenth section	53,582	30,068	82,361	93,490
Facilities acquisition and construction	2,200			
Debt service:				
Principal	555,000	730,000	754,000	636,605
Interest	342,196	362,187	319,903	529,488
Other	5,986	7,420	86,106	5,640
Total Expenditures	11,753,008	12,394,598	11,653,774	10,830,900
Excess (Deficiency) of Revenues over (under) Expenditures	952,767	(185,206)	352,631	1,474,957
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds issued			7,090,000	
Premiums on refunding bonds issued			136,211	
Insurance loss recoveries		7,470		
Payments held by escrow agent	131,940	132,000	132,000	141,000
Sale of other property			3,649	
Operating transfers in	343,289	86,498	53,552	456,145
Other financing sources				1,174
Payment to refunded bond escrow agent			(7,140,105)	
Payment to QSCB debt escrow agent	(131,940)	(132,000)	(132,000)	(141,000)
Operating transfers out	(343,289)	(86,498)	(53,552)	(456,145)
Total Other Financing Sources (Uses)	0	7,470	89,755	1,174
Net Change in Fund Balances	952,767	(177,736)	442,386	1,476,131
<b>Fund Balances:</b>				
Beginning of period, as previously reported	8,747,424	9,025,424	8,552,358	7,071,595
Prior period adjustments	(27,512)	(98,243)	23,707	0
Beginning of period, as restated	8,719,912	8,927,181	8,576,065	7,071,595
Increase (Decrease) in reserve for inventory	(3,453)	(2,021)	6,973	4,632
End of Period	\$ 9,669,226	8,747,424	9,025,424	8,552,358

\*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, 2019, 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 August 27, 2020.

**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 a material weaknesses (**Repeat Finding 2019-001 and Repeat Finding 2019-002**).

**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*.

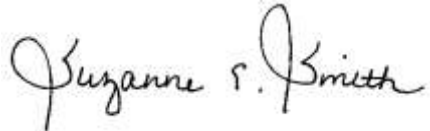
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PHONE: 601-938-5717**

### **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.

### **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  
August 27, 2020

**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, 2019. 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, 2019.

**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 2019-003, Repeat Finding 2019-004, and Finding 2019-005**. 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 compliance, we considered East Jasper School District's internal control over compliance with the types of requirements

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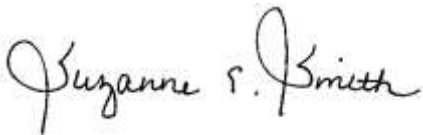


that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 2019-003, Repeat Finding 2019-004, and Finding 2019-005** 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.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
August 27, 2020

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, 2019, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated August 27, 2020. 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 immaterial instances of noncompliance with other state laws and regulations.

Repeat Finding SL2019-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 year ended June 30, 2019. Reports were late for ten (10) of the twelve (12) months. No reports were submitted at all during the months July 2018 – October 2018. Completed financial statements were not available for audit until April 2020, almost a full year after fiscal year end. This is a violation of Code Section 37-61-21(2), Mississippi Code Ann. (1972). The effect of this noncompliance is that the board did not have timely, accurate financial information to help guide its decisions.

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Recommendation: We recommend that the administration provide accurate, timely reports to the school board at each regular meeting. We further recommend that financial statements be prepared in a timely manner and available to facilitate an efficient audit.

District Response: Reports will be submitted as required and listed as an agenda item.

---

Repeat Finding SL2019-B: 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 that four (4) of the leases were paid late (in excess of 60 days past the due date) and four (4) leases were not paid at all during the year ended June 30, 2019. This means that eight (8) of the fifteen (15) leases reviewed were not paid timely. The board inaugurated termination proceedings on the four (4) leases that were not paid at all during the year or subsequent to the year end, but the proceedings were not started until December 2019, six months after year end.

Recommendation: We recommend that the district identify all delinquent leases and start termination proceedings on those leases after the 60-day period has ended.

District Response: The 16<sup>th</sup> Section Land Manager will report to the Board the status of any leases 60 days past due. The board will take action on past due leases in accordance with law.

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Repeat Finding SL2019-C: 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 assets to the subsidiary records. Mississippi Public School Accreditation standards call for a fixed asset system of accountability that provides verification of fixed assets and fixed assets records outlined in Mississippi Code Ann. 37-17-6(18). Our review of the control system and substantive testing of capital asset transactions revealed deficiencies in the following areas: We noted five (5) purchased items meeting the threshold for inclusion in subsidiary records that were not identified and added by the district. The cost of these five (5) items was \$28,436.70. We noted eight (8) items that were approved for disposal and later sold as surplus property that remained on inventory and had not been deleted at the time of fieldwork. These original cost of these eight (8) items was \$310, 217.00 and included seven (7) school buses. During the physical observation of capital assets, we were not able to locate one (1) smartboard. The district responded that the smartboard had been retired and replaced. However, the original asset remained on inventory. During the testing of non-payroll expenditures we noted eight (8) instances where an incorrect object code was used when purchasing capital (fixed) assets.

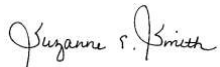
Recommendation: We recommend that the district refine its procedures to make sure that assets being purchased are coded using the appropriate object code as a means to help capture the purchase of the asset meets the threshold for inclusion in subsidiary inventory. We recommend that all qualifying assets be identified, tagged, and included in the subsidiary inventory that will be subject to periodic physical inventories.

District Response: The Business Manager will code items as specified in the Accounting Manual for Mississippi Public School Districts. The Fixed Asset Clerk has been physically relocated to the Business Office to facilitate efficiency and collaboration within the department regarding fixed asset tasks. An annual inventory will be conducted and reconciled to the accounting system. Administrators will be trained in the importance of the fixed assets processes.

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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.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
August 27, 2020

## 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, 2019

**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>    |
|   | 84.010  | Title I grants to local educational agencies |
|   | 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 finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b) |   |  |
|   |   | Yes  |



EAST JASPER SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**Section II: Financial Statement Findings**

**Material Weaknesses**

Repeat Finding 2019-001. Deficiencies surrounding the accrual process for receivables.

CONDITION: The district failed to accrue \$31,485.90 in local oil royalty revenue in governmental funds at June 30, 2019.

CRITERIA: The school district is charged with developing a system of internal controls surrounding the capturing and recording of revenue accruals at balance sheet date. A well designed system will ensure that all revenue accruals are captured and recorded correctly.

CAUSE: The cause is not known.

EFFECT: The effect is an understatement in revenues for \$31,485.90 and an understatement in fund balance of the same amount. An audit adjustment was proposed and accepted to record the accruals at June 30, 2019.

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.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

Repeat Finding 2019-002. Deficiencies surrounding the control cycle of capital assets and related expenditures.

CONDITION: Our review of the control system and substantive testing of capital asset transactions revealed deficiencies in the following areas: Five (5) items meeting the threshold for capitalization were not added to the district's subsidiary records and were not included in the district's financial statements. These cost of the five (5) items was \$28,436.70. We also noted eight (8) items that were approved for disposal by the school board and subsequently salvaged but were not deleted from the district's subsidiary capital asset records and were still included in the district's financial statements. The eight (8) items totaled \$310,721.00 and included seven (7) school buses and one (1) car. During the testing of non-payroll expenditures, we noted eight (8) instances where an incorrect object code was used when purchasing capital assets.

CRITERIA: The school district is charged with the responsibility of accounting for its capital assets through the timely tagging of assets, the capturing of asset information in the subsidiary records, and periodic inventories to reconcile the physical existence of the assets to the subsidiary records. The use of distinct object codes marks the purchase for asset tagging and inclusion in the subsidiary records.

CAUSE: The cause is a failure to adhere to written district guidelines in the area of capital asset accounting.

EFFECT: The effect was an overstatement of capital assets in the amount of \$427,916.00 and an overstatement of accumulated depreciation of \$332,674.00. As part of the audit process, we proposed that the assets be added to the subsidiary records. The district made the changes as proposed.

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 are added to the subsidiary records system and that all disposals are deleted from the inventory.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

EAST JASPER SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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

**Significant Deficiencies and Immaterial Non-Compliance**

Finding 2019-003. Title I grants to local educational agencies. CFDA 84.010. Cost Principles.

CONDITION: We noted two personal service contracts exceeding \$10,000 that did not include language that would address termination for cause and convenience.

CRITERIA: Uniform Guidance at 2 CFR 200.326 requires that personal service contracts exceeding \$10,000 include language that would address termination for cause and convenience.

CAUSE: The cause is not known.

EFFECT: The effect is a control deficiency in the area of Cost Principles and non-compliance with Uniform Guidance.

QUESTIONED COSTS: None

CONTEXT: The personal service contracts identified in this finding are limited to those personal service contracts that exceed \$10,000 but are less than \$25,000.

RECOMMENDATION: We recommend that the district include in all program personal service contracts exceeding \$10,000 language that would address termination for cause and convenience including the manner by which it will be effected and the basis for settlement.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

Repeat Finding 2019-004. Special Education Cluster CFDA 84.027 and 84.173. 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 budget approved by the Mississippi Department of Education. Seven (7) line items out of a total of twenty-four (24) line items were not aligned with the approved application budget. As a result, one line item's expenditures for the fiscal year exceeded the approved application budget by \$740.42.

CRITERIA: The school district is charged with developing a system of internal controls that will ensure all expenditures made from the grant are allowable. A budgetary accounting system that aligns grant/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 approved project application.

QUESTIONED COSTS: None

CONTEXT: This deficiency/noncompliance is systemic in nature to this cluster and crosses over all grants within this cluster. The alignment variances are not material to the grant as a whole.

RECOMMENDATION: We recommend that the district align all grant budgetary accounts with the latest approved project application budgets approved by the Mississippi Department of Education for the Special Education Cluster of Awards.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

EAST JASPER SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

Finding 2019-005. Special Education Cluster CFDA 84.027. Equipment Management.

CONDITION: Our physical observation of equipment purchased with grant dollars revealed one asset that was shown as active in the system that could not be located. The asset, a smartboard, had an original cost of \$3,500.00. The district noted that the equipment had been disposed of and replaced. However, the original asset tag number and serial number were still shown as active in the inventory system.

CRITERIA: The district is charged with developing a system of controls surrounding equipment purchased with federal grant dollars. Controls should include processes and procedures to identify equipment that is obsolete or broken, to obtain proper approval for its removal, and to update the inventory system in a timely manner to shown equipment disposals. This would ensure that the equipment inventory aligns to equipment being used in the program.

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

EFFECT: The effect is a control deficiency in the area of equipment management that would allow equipment that has been disposed of to remain as active on the equipment inventory.

QUESTIONED COSTS: None

CONTEXT: This appears to be an isolated instance with respect to this grant.

RECOMMENDATION: We recommend that the district follow its policies and procedures outlined in its Accounting Policies for Federal Awards.

VIEWS OF RESPONSIBLE OFFICIALS: See the Auditee's Corrective Action Plan included in this report.

## AUDITEE'S CORRECTIVE ACTION PLAN

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*East Jasper County School District*  
*Administrative Office*

Post Office Drawer E  
Heidelberg, Mississippi 39439



Phone: 601.787.3281  
Fax: 601.787.3410

**Repeat Finding 2019-001. Deficiencies surrounding the accrual process for receivables.**

**Corrective Action Planned:**

The Business Manager will review receipts and expenditures in July and August of each year to consider items for accrual.

**Responsible:** Joyce Sanders, Business Manager

**Due:** Immediately

**Repeat Finding 2019-002. Deficiencies surrounding the control cycle of capital assets and related expenditures.**

**Corrective Action Planned:**

The Business Manager will review, revise, and enforce the district's Fixed Assets Accountability Plan. The Fixed Assets Clerk's office has been relocated to the Business Office to facilitate efficiency and collaboration within the department regarding Fixed Assets tasks. An annual inventory will be conducted and reconciled to the accounting system. Administrators will be trained in the importance of the Fixed Assets processes.

**Responsible:** Andrea McFarland, Fixed Assets Clerk; Joyce Sanders, Business Manager;  
Nadene Arrington, Superintendent; Various Administrators

**Due:** Fixed Assets Plan Revision—November 1, 2020

**Due:** All others—Immediately

*714 North Pine Avenue  
Heidelberg, Mississippi 39439*

*East Jasper County School District*  
*Administrative Office*

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**Finding 2019-003. Title I grants to local educational agencies. CFDA 84.010. COST PRINCIPLES.**

**Corrective Action Planned:**

The district will develop and implement a policy to add language to personal services contracts to include termination provisions.

Responsible: Joyce Sanders, Business Manager; Stacie Collins, Federal Programs Director;  
Jerrod McLain, Exceptional Education Director; Nadene Arrington, Superintendent

Due: October 1, 2020

**Repeat Finding 2019-004. Special Education Cluster. CFDA 84.027 and 84.173. Allowable and Unallowable Costs.**

**Corrective Action Planned:**

The Exceptional Education and Federal Programs directors will meet monthly (at a minimum) with the Business Manager to review their budgets as approved in MCAPS, to assure alignment in the accounting system, and to check for over-obligations and trends that may lead to over-obligations. The Purchasing Agent will not process purchase requisitions for federal funds in excess of the budgeted amounts in the accounting system.

Responsible: Jerrod McLain, Exceptional Education Director; Stacie Collins, Federal Programs Director; Kimberly Pierce, Purchasing Agent; Joyce Sanders, Business Manager

Due: Immediately

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**Finding 2019-005. Special Education Cluster. CFDA 84.027. Equipment Management.**

**Corrective Action Planned:**

The Business Manager will review, revise, and enforce the district's Fixed Assets Accountability Plan. The Fixed Assets Clerk's office has been relocated to the Business Office to facilitate efficiency and collaboration within the department regarding Fixed Assets tasks. An annual inventory will be conducted and reconciled to the accounting system. The Exceptional Education and Federal Programs directors will be included in the administrators trained in the importance of the Fixed Assets processes.

Responsible: Jerrod McLain, Exceptional Education Director; Stacie Collins, Federal Programs Director; Andrea McFarland, Fixed Assets Clerk; Joyce Sanders, Business Manager; Nadene Arrington, Superintendent

Due: Fixed Assets Plan Revision—November 1, 2020

Due: All others—Immediately

*714 North Pine Avenue  
Heidelberg, Mississippi 39439*



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## FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS

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*East Jasper County School District*\_\_\_\_\_  
*Administrative Office*\_\_\_\_\_

Post Office Drawer E  
Heidelberg, Mississippi 39439



Phone: 601.787.3281  
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**FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS**

Finding 2017-002 and Repeat Finding 2018-001 - Repeat Finding at 2019-001  
Finding 2017-005 and Repeat Finding 2018-006 - Corrected  
Finding 2018-002 – Repeat Finding at 2019-002  
Finding 2018-003 – Corrected  
Finding 2018-004 – Corrected  
Finding 2018-005 – No longer applicable since program director now devotes 100% of her effort to the grant  
Finding 2018-007 - Repeat Finding at 2019-004.

*714 North Pine Avenue*  
*Heidelberg, Mississippi 39439*

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