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**EAST JASPER SCHOOL DISTRICT**

**Audited Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Cox & Palmer  
Certified Public Accountants**

# EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

EAST JASPER SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT  
ON  
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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, 2005, which collectively comprise the East Jasper School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the East Jasper School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the East Jasper School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2005, on our consideration of the East Jasper School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

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East Jasper School District  
Independent Auditor's Report

the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 47 through 49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cox & Palmer

Cox & Palmer  
October 31, 2005

EAST JASPER SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST JASPER SCHOOL DISTRICT

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East Jasper School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

The discussion and analysis of the East Jasper School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented and is included in this discussion and analysis.

#### **FINANCIAL HIGHLIGHTS**

- Total net assets increased \$548,836, which represents an 8% increase from fiscal year 2004. This increase is due primarily to the purchase of capital assets and the reduction of long-term debt during the fiscal year.
- General revenues accounted for \$7,757,069 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,247,124, or 22% of total revenues.
- The District had \$9,455,357 in expenses; only \$2,247,124 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,757,069 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,162,321 in revenues and \$7,263,905 in expenditures. The General Fund's fund balance increased \$179,315 from the prior year. This increase is due primarily to the transfer of funds from the 16<sup>th</sup> Section Interest Fund to the General Fund during the fiscal year.
- Capital assets, net of accumulated depreciation, increased by \$199,321.
- Long-term debt decreased by \$186,182.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three

East Jasper School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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 and interest and other expenses 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.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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, readers may better understand the long-term

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impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation 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* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund and is included in this report as required supplementary information.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is included in this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$7,053,674 as of June 30, 2005.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$1,065,643 of the District's net assets (15%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students;

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consequently these assets are not available for future spending. \$4,221,008 of the District's net assets (60%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. \$1,767,023 of the District's net assets (25%) reflects its unrestricted net assets.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 4,360,452	\$ 4,669,332
Other assets	1,862,687	1,568,260
Capital assets, net	<u>3,461,740</u>	<u>3,262,419</u>
<b>Total assets</b>	<u>9,684,879</u>	<u>9,500,011</u>
Current liabilities	161,930	339,716
Long-term debt outstanding	<u>2,469,275</u>	<u>2,655,457</u>
<b>Total liabilities</b>	<u>2,631,205</u>	<u>2,995,173</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,065,643	680,681
Restricted	4,221,008	4,231,504
Unrestricted	<u>1,767,023</u>	<u>1,592,653</u>
<b>Total net assets</b>	<u>\$ 7,053,674</u>	<u>\$ 6,504,838</u>

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

- Capital assets increased from the previous fiscal year due primarily to the purchase of several items of mobile equipment and furniture and equipment during the fiscal year.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in deferred revenue.
- Long-term debt outstanding decreased from the previous fiscal year due to principal payments made during the fiscal year on existing long-term debt.

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- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the purchase of capital assets during the fiscal year and the reduction of long-term debt associated with those capital assets at year end.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2005 were \$10,004,193. The total cost of all programs and services was \$9,455,357. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<b>Revenues:</b>		
Program revenues	\$ 2,247,124	\$ 2,429,436
General revenues	<u>7,757,069</u>	<u>7,459,264</u>
<b>Total revenues</b>	<u>10,004,193</u>	<u>9,888,700</u>
<b>Expenses:</b>		
Instruction	4,973,876	4,422,545
Support services	3,605,618	3,459,662
Non-instructional	608,870	627,375
Sixteenth section	106,840	112,377
Interest and other expenses on long-term liabilities	<u>160,153</u>	<u>174,866</u>
<b>Total expenses</b>	<u>9,455,357</u>	<u>8,796,825</u>
<b>Increase in net assets</b>	<b>\$ <u>548,836</u></b>	<b>\$ <u>1,091,875</u></b>

The following are significant current year transactions that have had an impact on the Statement of Activities:

- General revenues increased from the previous fiscal year due primarily to an increase in taxes, unrestricted state grants and contributions and sixteenth section sources.
- Instruction and support services expenses increased from the previous fiscal year due primarily to the 8% increase in salaries and benefits and the increase in the cost of insurance.

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2005, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

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For the Year Ended June 30, 2005

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 4,973,876	\$ (3,994,387)	\$ 4,422,545	\$ (3,503,808)
Support services	3,605,618	(3,067,718)	3,459,662	(2,766,034)
Non-instructional	608,870	87,481	627,375	171,255
Sixteenth section	106,840	(73,456)	112,377	(93,936)
Interest on long-term liabilities	160,153	(160,153)	174,866	(174,866)
<b>Total expenses</b>	<b>\$ 9,455,357</b>	<b>\$ (7,208,233)</b>	<b>\$ 8,796,825</b>	<b>\$ (6,367,389)</b>

- The net cost of governmental activities for fiscal year 2005 in the amount of \$7,208,233 was financed by general revenue, which is made up of primarily property taxes of \$2,094,448 and state revenue of \$4,869,157.
- Investment earnings accounted for \$96,317 of funding.

**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, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$6,121,651. The net change in fund balance for the fiscal year was an increase of \$156,455 due primarily to sixteenth section revenue generated during the fiscal year from the sale of timber, oil and gas royalties and earnings on sixteenth section investments.

\$5,177,704, or 85%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds is a result of transfers from other funds and will be used for capital improvements. The portion of the fund balance reported in the Permanent Funds represents earnings on sixteenth section investments that have not been transferred to the 16<sup>th</sup> Section Interest Fund as of year end and amounts available for permanent fund purposes.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2005

The remaining fund balance of \$943,947, or 15%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits and debt service purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$179,315 due primarily to the transfer of funds from the 16<sup>th</sup> Section Interest Fund during the fiscal year. The net change in fund balance for the 16<sup>th</sup> Section Interest Fund for the fiscal year was a decrease of \$196,980 due primarily to the transfer of funds to the General Fund during the fiscal year. The net change in fund balance for the 16<sup>th</sup> Section Principal Fund for the fiscal year was an increase of \$193,147 due primarily to sixteenth section revenue generated during the fiscal year from oil and gas royalties and earnings on sixteenth section investments. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$19,027.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from local sources in the General Fund were increased primarily to reflect the increase in local royalty income during the fiscal year.
- Budgeted amounts for debt service principal expenditures in the General Fund were decreased. The original budget included principal payments made on sixteenth section principal loans as debt service principal expenditures. However, the principal payment made during the fiscal year was actually recorded as a reduction of advances.

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

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets, before depreciation, were \$6,497,010, including land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$430,710 from the previous year. During the fiscal year, the district purchased six school buses, a wrecker truck and several items of furniture and equipment. Total depreciation expense for the year was \$236,589. Total accumulated depreciation as of June 30, 2005 was \$3,035,270, resulting in total net assets of \$3,461,740.

**Debt Administration.** At June 30, 2005, the District had \$2,469,275 in limited obligation bonds and other long-term debt outstanding, of which \$208,775 is due within one year. During the

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Management's Discussion and Analysis  
For the Year Ended June 30, 2005

fiscal year, the district made principal payments in the amount of \$191,128 on existing long-term debt.

**CURRENT ISSUES**

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

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

Operational mills decreased 7.8 mills from the previous fiscal year. The millage rate for 2004 was 55.0 mills and the millage rate for 2005 was 47.2 mills. This decrease in millage was a result of the decrease in the assessed valuation of property from the previous year.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly from the previous fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the East Jasper School District, P. O. Drawer E, Heidelberg, MS 39439.

EAST JASPER SCHOOL DISTRICT

FINANCIAL STATEMENTS

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,162,397
Due from other governments	178,259
Accrued interest receivable	9,742
Inventories	10,054
Restricted assets	1,862,687
Capital assets, net	<u>3,461,740</u>
Total Assets	<u>9,684,879</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	101,488
Interest payable on long-term liabilities	60,442
Long-term liabilities, due within one year	
Capital related liabilities	201,457
Non-capital related liabilities	7,318
Long-term liabilities, due beyond one year	
Capital related liabilities	2,194,640
Non-capital related liabilities	<u>65,860</u>
Total Liabilities	<u>2,631,205</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	1,065,643
Restricted net assets:	
Expendable:	
School - based activities	1,584,754
Debt service	279,551
Capital improvements	630
Forestry improvements	122,989
Unemployment benefits	23,201
Non-expendable:	
Sixteenth section	2,209,883
Unrestricted	<u>1,767,023</u>
Total Net Assets	<u>\$ 7,053,674</u>

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

EAST JASPER SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 4,973,876	\$ 97,451	\$ 882,038	\$ -	\$ (3,994,387)
Support services	3,605,618	-	537,900	-	(3,067,718)
Non-instructional	608,870	126,125	570,226	-	87,481
Sixteenth section	106,840	33,384	-	-	(73,456)
Interest and other expenses on long-term liabilities	160,153	-	-	-	(160,153)
<b>Total Governmental Activities</b>	<b>\$ 9,455,357</b>	<b>\$ 256,960</b>	<b>\$ 1,990,164</b>	<b>\$ -</b>	<b>(7,208,233)</b>
General Revenues:					
Taxes:					
					2,040,611
					53,837
Unrestricted grants and contributions:					
					4,869,157
					28,035
					96,317
					372,846
					296,266
					<u>7,757,069</u>
					548,836
					<u>6,504,838</u>
					<u>\$ 7,053,674</u>

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

EAST JASPER SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2005

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,248,707	\$ 1,229,812	\$ 1,621,685	\$ 683,878	\$ 5,784,082
Investments	-	-	-	120,798	120,798
Due from other governments	82,096	-	21,115	192,912	296,123
Accrued interest receivable	9,221	-	2,596	521	12,338
Due from other funds	117,326	-	-	19,991	137,317
Advance to other funds	-	-	570,699	-	570,699
Inventories and prepaid items	-	-	-	10,054	10,054
<b>Total Assets</b>	<b>2,457,350</b>	<b>1,229,812</b>	<b>2,216,095</b>	<b>1,028,154</b>	<b>6,931,411</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	46,450	29,620	6,212	25,418	107,700
Due to other funds	-	-	-	131,361	131,361
Advances from other funds	570,699	-	-	-	570,699
<b>Total Liabilities</b>	<b>617,149</b>	<b>29,620</b>	<b>6,212</b>	<b>156,779</b>	<b>809,760</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Advances	-	-	570,699	-	570,699
Inventory	-	-	-	10,054	10,054
Unemployment benefits	-	-	-	23,201	23,201
Debt Service	-	-	-	339,993	339,993
<b>Unreserved:</b>					
<b>Undesignated, reported in:</b>					
General fund	1,840,201	-	-	-	1,840,201
Special Revenue funds	-	1,200,192	-	497,497	1,697,689
Capital Projects funds	-	-	-	630	630
Permanent funds	-	-	1,639,184	-	1,639,184
<b>Total Fund Balances</b>	<b>1,840,201</b>	<b>1,200,192</b>	<b>2,209,883</b>	<b>871,375</b>	<b>6,121,651</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,457,350</b>	<b>\$ 1,229,812</b>	<b>\$ 2,216,095</b>	<b>\$ 1,028,154</b>	<b>\$ 6,931,411</b>

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

EAST JASPER SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,121,651
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities, but are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,035,270.	3,461,740
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,469,275)
3. Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	<u>(60,442)</u>
Total Net Assets - Governmental Activities	<u>\$ 7,053,674</u>

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

EAST JASPER SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$2,501,916	\$ -	\$ -	\$ 124,678	\$ 2,626,594
State sources	4,626,921	-	-	424,069	5,050,990
Federal sources	33,484	-	-	1,802,882	1,836,366
Sixteenth section sources	-	242,823	199,359	34,810	476,992
<b>Total Revenues</b>	<b>7,162,321</b>	<b>242,823</b>	<b>199,359</b>	<b>2,386,439</b>	<b>9,990,942</b>
<b>Expenditures:</b>					
Instruction	3,920,364	-	-	928,704	4,849,068
Support services	3,240,868	-	-	594,962	3,835,830
Noninstructional services	5,709	-	-	591,325	597,034
Sixteenth section	-	41,463	6,212	59,165	106,840
Facilities acquisition and construction	46,234	-	-	55,047	101,281
<b>Debt service:</b>					
Principal	11,571	-	-	179,557	191,128
Interest	39,159	-	-	126,826	165,985
Other	-	-	-	572	572
<b>Total Expenditures</b>	<b>7,263,905</b>	<b>41,463</b>	<b>6,212</b>	<b>2,536,158</b>	<b>9,847,738</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(101,584)</b>	<b>201,360</b>	<b>193,147</b>	<b>(149,719)</b>	<b>143,204</b>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	801	-	-	-	801
Other financing sources	110	-	-	12,340	12,450
Operating transfers in	664,965	1,660	-	197,416	864,041
Operating transfers out	(384,977)	(400,000)	-	(79,064)	(864,041)
<b>Total Other Financing Sources (Uses)</b>	<b>280,899</b>	<b>(398,340)</b>	<b>-</b>	<b>130,692</b>	<b>13,251</b>
<b>Net Change in Fund Balances</b>	<b>179,315</b>	<b>(196,980)</b>	<b>193,147</b>	<b>(19,027)</b>	<b>156,455</b>
<b>Fund Balances:</b>					
July 1, 2004	1,660,886	1,397,172	2,016,736	889,928	5,964,722
Increase in reserve for inventory	-	-	-	474	474
<b>June 30, 2005</b>	<b>\$1,840,201</b>	<b>\$1,200,192</b>	<b>\$2,209,883</b>	<b>\$ 871,375</b>	<b>\$ 6,121,651</b>

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

EAST JASPER SCHOOL DISTRICT  
 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, 2005

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 156,455
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$435,963 and the depreciation expense amounted to \$236,589.	199,374
2. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(53)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activity.	191,128
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it become dues.	6,404
5. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	474
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(4,946)</u>
Change in Net Assets of Governmental Activities	<u>\$ 548,836</u>

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

EAST JASPER SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>396,121</u>
<b>Total Assets</b>	<u>396,121</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	346,783
Due to other funds	5,956
Due to student clubs	<u>43,382</u>
<b>Total Liabilities</b>	<u>\$ 396,121</u>

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

## EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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 which each member was elected by the citizens of each defined county district.

The East Jasper School District's Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. (see Note 10 )

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

## EAST JASPER SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2005

#### *Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

#### *Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

#### C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Sixteenth Section Interest Fund – This fund serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are either shared with other school districts or transferred to the district's General Fund per specific statutory board order.

Sixteenth Section Principal Fund – This fund serves to collect nonexpendable revenue from various sixteenth section sources that are legally restricted. Expenditures from this fund are either shared with other school districts or invested.

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

Additionally, the school district reports the following fund types:

## EAST JASPER SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2005

#### GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds – Permanent Funds are used to account for resources that are legally 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.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

#### E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

#### F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than 12 months when acquired.

H. 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.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

*Government-wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for advances – An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Reserved for inventory – An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for unemployment benefits – An account that represents the fund balance of the unemployment revolving fund which is legally restricted for the payment of unemployment benefits.

Reserved for debt service – An account that represents that portion of fund balance in the debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities in the government-wide statements. The current portion of this liability is estimated

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

(2) Cash and Cash Equivalents and Investments.

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,784,082 and \$396,121, respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$4,162,397 and restricted assets \$1,621,685. The restricted assets represents the cash balance of the 16<sup>th</sup> Section Principal Funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$6,695,316.

Investments.

Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

time of purchase of one year or less, investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the school district that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 – Insured or registered or for which the securities are held by the school district or its agent in the school district’s name.

Category 2 – Uninsured and unregistered for which the securities are held by the broker or dealer’s trust department or agent in the school district’s name.

Category 3 – Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the school district’s name.

Investment Type	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Treasury Bills	\$ 120,798	-	-	120,798	120,798
Total Investments				\$ 120,798	120,798

This amount is reported in the government-wide statements as restricted assets.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 117,326	\$ --
Other Governmental funds	19,991	131,361
Fiduciary Funds	<u>          --</u>	<u>      5,956</u>
Total	<u>\$ 137,317</u>	<u>\$ 137,317</u>

The general fund's interfund receivable from the agency fund is reported as due from other governments on the district-wide statement of net assets.

The interfund balances between the general fund and other governmental funds represent payments made and receipts received by the general fund on behalf of the other governmental funds in relation to grant reimbursements.

B. Advances To/From Other Funds

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General fund	\$ --	\$ 570,699
16 <sup>th</sup> Section Principal fund	<u>      570,699</u>	<u>          --</u>
Total	<u>\$ 570,699</u>	<u>\$ 570,699</u>

Note: The sixteenth section principal loans payable is not reflected on the statement of net assets because these funds were borrowed by the General Fund from the sixteenth section trust fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Sixteenth section principal loans payable.

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>
2006	\$ 101,687	\$ 31,444	\$ 133,131
2007	106,443	26,687	133,130
2008	36,542	21,700	58,242
2009	38,734	19,508	58,242
2010	41,058	17,184	58,242
2011-2015	<u>246,235</u>	<u>45,873</u>	<u>292,108</u>
Total	<u>\$ 570,699</u>	<u>\$ 162,396</u>	<u>\$ 733,095</u>

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 664,965	\$ 384,977
16 <sup>th</sup> Section Interest funds	1,660	400,000
Other Governmental Funds	<u>197,416</u>	<u>79,064</u>
Total	<u>\$ 864,041</u>	<u>\$ 864,041</u>

The transfers were all routine transfers to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(4) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
<b>Non-depreciable capital assets:</b>						
Land	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 1,500
Total non-depreciable capital assets	1,500	-	-	-	-	1,500
<b>Depreciable capital assets:</b>						
Buildings	4,309,754	-	-	-	-	4,309,754
Building improvements	142,676	-	-	-	-	142,676
Improvements other than buildings	62,375	46,234	-	-	-	108,609
Mobile equipment	1,175,065	357,100	-	-	-	1,532,165
Furniture and equipment	271,730	32,629	5,253	-	-	299,106
Leased property under capital leases	103,200	-	-	-	-	103,200
Total depreciable capital assets	6,064,800	435,963	5,253	-	-	6,495,510
<b>Less accumulated depreciation for:</b>						
Buildings	1,757,598	86,195	-	-	-	1,843,793
Building improvements	57,070	5,707	-	-	-	62,777
Improvements other than buildings	22,455	4,344	-	-	-	26,799
Mobile equipment	754,892	109,336	-	-	-	864,228
Furniture and equipment	202,578	21,719	5,200	-	-	219,097
Leased property under capital lease	9,288	9,288	-	-	-	18,576
Total accumulated depreciation	2,803,881	236,589	5,200	-	-	3,035,270
Total depreciable capital assets, net	3,260,919	199,374	53	-	-	3,460,240
Governmental activities capital assets, net	\$ 3,262,419	\$ 199,374	\$ 53	\$ -	\$ -	\$ 3,461,740

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 97,016
Support services	127,326
Non-instructional	<u>12,247</u>
<b>Total depreciation expense</b>	<b><u>\$ 236,589</u></b>

(5) Long-term liabilities.

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

	Balance 7-1-2004	Addition	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,020,000	\$ -	\$ 105,000	\$ -	\$ 1,915,000	\$ 110,000
B. Certificates of participation payable	412,568	-	27,557	-	385,011	29,210
C. Three mills note payable	97,000	-	47,000	-	50,000	50,000
D. Obligations under capital leases	57,657	-	11,571	-	46,086	12,247
E. Compensated absences payable	<u>68,232</u>	<u>4,946</u>	-	-	<u>73,178</u>	<u>7,318</u>
<b>Total</b>	<b><u>\$ 2,655,457</u></b>	<b><u>\$ 4,946</u></b>	<b><u>\$ 191,128</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,469,275</u></b>	<b><u>\$ 208,775</u></b>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Series 1998	6.5%	1-21-98	1-1-18	<u>\$2,470,000</u>	<u>\$1,915,000</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 110,000	\$ 91,500	\$ 201,500
2007	115,000	86,660	201,660
2008	120,000	81,600	201,600
2009	125,000	76,200	201,200
2010	130,000	70,575	200,575
2011-2015	760,000	253,810	1,013,810
2016-2019	<u>555,000</u>	<u>56,500</u>	<u>611,500</u>
Total	<u>\$ 1,915,000</u>	<u>\$ 716,845</u>	<u>\$ 2,631,845</u>

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

B. Certificates of participation payable.

As more fully explained in Note (10), certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Certificates of participation	6.0%	7-7-94	7-7-14	<u>\$ 600,000</u>	<u>\$ 385,011</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>
2006	\$ 29,210	\$ 22,224	\$ 51,434
2007	30,963	20,419	51,382
2008	32,820	18,506	51,326
2009	34,790	16,477	51,267
2010	36,877	14,327	51,204
2011-2015	<u>220,351</u>	<u>34,592</u>	<u>254,943</u>
Total	<u>\$ 385,011</u>	<u>\$ 126,545</u>	<u>\$ 511,556</u>

This debt will be retired from the EEF-Buildings and Buses Fund.

C. Three mill notes payable.

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>
Three mill notes payable	varies	8-1-95	8-1-05	<u>\$ 400,000</u>	<u>\$ 50,000</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>\$ 50,000</u>	<u>\$ 2,815</u>	<u>\$ 52,815</u>

This debt will be retired from the Series 1995 Notes Debt Service Fund.

D. Obligations under capital leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of two buses for a total of \$63,200 at 5.76%. The original issue date was July 22, 2003, and this lease expires July 22, 2008, and does not contain any renewal options. The district will take possession of the assets at the expiration of the term.

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 12,247	\$ 2,480	\$ 14,727
2007	12,962	1,765	14,727
2008	13,719	1,008	14,727
2009	<u>7,158</u>	<u>206</u>	<u>7,364</u>
Total	<u>\$ 46,086</u>	<u>\$ 5,459</u>	<u>\$ 51,545</u>

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable.

As more fully explained in Note 1(O), 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.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(6) Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$484,274, \$402,927 and \$404,781, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

The school district has an operating lease for a Ricoh digital copier.

Lease expenditures for the year ended June 30, 2005, amounted to \$3,456. Future lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 4,608
2007	4,608
2008	<u>1,152</u>
Total	<u>\$ 10,368</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2006	\$ 25,800
2007	25,800
2008	25,776
2009	25,283
2010	25,283
2011-2015	32,864
2016-2020	32,464
2021-2025	32,043
2026-2030	23,131
Thereafter	<u>11,986</u>
Total	<u>\$ 260,430</u>

(9) Risk Management.

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

## EAST JASPER SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2005

#### Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

#### (10) Trust Certificates.

A trust agreement dated June 1, 1994, was executed by and between the school district and Community Bank of Ellisville, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$600,000. Approximately \$590,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$10,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

EAST JASPER SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,337,003	\$ 2,420,855	\$ 2,501,916	\$ 83,852	\$ 81,061
State sources	4,619,747	4,626,883	4,626,921	7,136	38
Federal sources	15,500	33,484	33,484	17,984	-
<b>Total Revenues</b>	<b>6,972,250</b>	<b>7,081,222</b>	<b>7,162,321</b>	<b>108,972</b>	<b>81,099</b>
<b>Expenditures:</b>					
Instruction	4,079,523	3,996,988	3,920,364	82,535	76,624
Support services	3,308,801	3,318,909	3,240,868	(10,108)	78,041
Noninstructional services	5,601	5,709	5,709	(108)	-
Facilities acquisition and construction	-	46,234	46,234	(46,234)	-
Debt service:					
Principal	78,018	11,571	11,571	66,447	-
Interest	55,113	39,159	39,159	15,954	-
<b>Total Expenditures</b>	<b>7,527,056</b>	<b>7,418,570</b>	<b>7,263,905</b>	<b>108,486</b>	<b>154,665</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(554,806)</b>	<b>(337,348)</b>	<b>(101,584)</b>	<b>217,458</b>	<b>235,764</b>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	801	801	801	-
Operating transfers in	714,839	684,965	664,965	(29,874)	(20,000)
Other financing sources	-	110	110	110	-
Operating transfers out	(430,991)	(405,005)	(384,977)	25,986	20,028
<b>Total Other Financing Sources (Uses)</b>	<b>283,848</b>	<b>280,871</b>	<b>280,899</b>	<b>(2,977)</b>	<b>28</b>
<b>Net Change in Fund Balances</b>	<b>(270,958)</b>	<b>(56,477)</b>	<b>179,315</b>	<b>214,481</b>	<b>235,792</b>
<b>Fund Balances:</b>					
July 1, 2004	1,213,615	1,660,886	1,660,886	447,271	-
June 30, 2005	\$ 942,657	\$ 1,604,409	\$ 1,840,201	\$ 661,752	\$ 235,792

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

EAST JASPER SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 16th Section Interest Fund  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 266,328	\$ 242,823	\$ 242,823	\$ (23,505)	\$ -
Total Revenues	<u>266,328</u>	<u>242,823</u>	<u>242,823</u>	<u>(23,505)</u>	<u>-</u>
Expenditures:					
Sixteenth section	<u>36,000</u>	<u>41,463</u>	<u>41,463</u>	<u>(5,463)</u>	<u>-</u>
Total Expenditures	<u>36,000</u>	<u>41,463</u>	<u>41,463</u>	<u>(5,463)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>230,328</u>	<u>201,360</u>	<u>201,360</u>	<u>(28,968)</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	-	1,660	1,660	1,660	-
Operating transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(398,340)</u>	<u>(398,340)</u>	<u>1,660</u>	<u>-</u>
Net Change in Fund Balances	<u>(169,672)</u>	<u>(196,980)</u>	<u>(196,980)</u>	<u>(27,308)</u>	<u>-</u>
Fund Balances:					
July 1, 2004	<u>1,365,200</u>	<u>1,397,172</u>	<u>1,397,172</u>	<u>31,972</u>	<u>-</u>
June 30, 2005	<u>\$ 1,195,528</u>	<u>\$ 1,200,192</u>	<u>\$ 1,200,192</u>	<u>\$ 4,664</u>	<u>\$ -</u>

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

## EAST JASPER SCHOOL DISTRICT

### Notes to the Required Supplementary Information For the Year Ended June 30, 2005

#### Budgetary Comparison Schedules

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budgets, the final legally adopted budgets, the actual data on the GAAP basis, variances between the original budgets and the final budgets, and variances between the final budgets 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 the date established by the Mississippi Department of Education. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

EAST JASPER SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Fed. Domestic Assistance <u>Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>33,544</u>
Child nutrition cluster:		
School breakfast program	10.553	180,729
National school lunch program	10.555	379,350
Summer food service program for children	10.559	<u>7,868</u>
Total child nutrition cluster		<u>567,947</u>
Total U.S. Department of Agriculture		<u>601,491</u>
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	441,504
Safe and drug-free schools and communities - state grants	84.186	13,391
Eisenhower professional development state grants	84.281	66,916
Innovative education program strategies	84.298	7,383
Education technology state grants	84.318	12,788
Teacher Quality Enhancement grants	84.336	9,280
Transition to teaching	84.350	1,400
Reading first state grants	84.357	232,508
Rural education	84.358	48,302
Improving teacher quality state grants	84.367	74,563
Grants for state assessments and related activities	84.369	<u>2,068</u>
Total		<u>910,103</u>
Special education cluster:		
Special education - grants to states	84.027	271,058
Special education - preschool grants	84.173	<u>9,106</u>
Total special education cluster		<u>280,164</u>
Total passed-through Mississippi Department of Education		<u>1,190,267</u>
Total U.S. Department of Education		<u>1,190,267</u>
Total for All Federal Awards		<u>\$ 1,791,758</u>

EAST JASPER SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

Notes to schedule

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

EAST JASPER SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds  
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 6,662,884	\$ 4,247,850	\$ 845,695	\$ 1,569,339
Other	<u>3,184,854</u>	<u>601,218</u>	<u>224,808</u>	<u>2,358,828</u>
Total	9,847,738	4,849,068	1,070,503	3,928,167
Total number of students	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>
Cost per student	<u>\$ 8,952</u>	<u>\$ 4,408</u>	<u>\$ 973</u>	<u>\$ 3,571</u>

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

Instruction – 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 – all the 1000 functional codes.

Administrative – includes expenditures for the following functions: Support Services – General Administration (2300s); Support Services – School Administration (2400s); Support Services – Business (2500s).

EAST JASPER SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

EAST JASPER SCHOOL DISTRICT

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

OCTOBER 31, 2005

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, 2005, and have issued our report thereon dated October 31, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

East Jasper School District  
Report on Compliance and Internal Controls

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Cox & Palmer*

Cox & Palmer  
October 31, 2005

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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
East Jasper School District

Compliance

We have audited the compliance of the East Jasper School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, East Jasper School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

East Jasper School District  
Report on Compliance and Internal Control

Internal Control Over Compliance

The management of the East Jasper School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Cox & Palmer*

Cox & Palmer  
October 31, 2005

EAST JASPER SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH STATES LAW AND REGULATIONS

EAST JASPER SCHOOL DISTRICT

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

Superintendent and School Board  
East Jasper School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 31, 2005. 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*.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$ 32,722 of classroom supply funds carried over from previous years.

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

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

*Cox & Palmer*

Cox & Palmer  
October 31, 2005

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

EAST JASPER SCHOOL DISTRICT

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**EAST JASPER SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

**Financial Statements:**

- |    |   |                    |
|----|---|--------------------|
| 1. | Type of auditor's report issued on the general purpose financial statements:        | <u>Unqualified</u> |
| 2. | Material noncompliance relating to the financial statements?                        | <u>No</u>          |
| 3. | Internal control over financial reporting:  |                    |
| a. | Material weaknesses identified?   | <u>No</u>          |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | <u>No</u>          |

**Federal Awards:**

- |    |   |                    |
|----|---|--------------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:           | <u>Unqualified</u> |
| 5. | Internal control over major programs:   |                    |
| a. | Material weaknesses identified?   | <u>No</u>          |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | <u>No</u>          |
| 6. | Any audit findings reported as required by Section ____.510(a) of Circular A-133?   | <u>No</u>          |
| 7. | Federal programs identified as major programs:                                      |                    |
| a. | Title I – grants to local educational agencies<br>CFDA #84.010                      |                    |
| b. | Reading first state grants<br>CFDA #84.357  |                    |

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

- |     |  |                  |
|-----|--|------------------|
| 8.  | The dollar threshold used to distinguish between Type A and Type B programs:   | <u>\$300,000</u> |
| 9.  | Auditee qualified as a low-risk auditee?   | <u>Yes</u>       |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | <u>No</u>        |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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