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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2005

Presented by:
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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

November 16, 2005

Superintendent and School Board
West Jasper Consolidated School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Jasper Consolidated School District as of and for the year ended June 30, 2005, which collectively comprise the West Jasper Consolidated School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility for the West Jasper Consolidated 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.

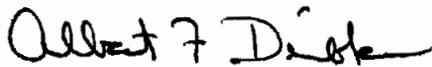
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the West Jasper Consolidated School District, as of June 30, 2005, and the respective changes in financial position and cash flow, where applicable, 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 November 16, 2005, on our consideration of the West Jasper Consolidated School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement 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 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 11 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 45 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 West Jasper Consolidated School District's basic financial statements. The accompanying 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.

Sincerely,

A handwritten signature in black ink that reads "Albert F. Dribben". The signature is written in a cursive, slightly slanted style.

Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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Kaye Dyess
Superintendent

**West Jasper Consolidated
School District**

Bay Springs Elementary
Bay Springs Middle
Bay Springs High School
Stringer Attendance Center

Phone: 601-764-2280
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**Office of the Superintendent
Post Office Box 610
Bay Springs, Mississippi 39422**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The discussion and analysis of West Jasper Consolidated 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 \$1,338,932, which represents a 15% increase from fiscal year 2004. This increase is due primarily to conservative budgeting during the fiscal year in order to increase the fund balance to be used for future construction and renovation of school facilities.
- General revenues accounted for \$10,706,785 in revenue, or 78% of all revenues. Program specific revenues in the form of charge for services and grants and contributions accounted for \$2,940,784, or 22% of all total revenues.
- The District had \$12,308,637 in expenses; only \$2,940,784 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,706,785 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,789,989 in revenues and \$8,793,532 in expenditures. After net other financing uses of \$424,544, the General Fund's fund balance increases \$571,913 from the prior year. This increase is due primarily to conservative budgeting during the fiscal year in order to increase the fund balance to be used for future construction and renovation of school facilities.
- Capital assets, net of accumulated depreciation, decreased by \$148,806, due primarily to the current year depreciation of capital assets.
- Long-term debt decreased by \$293,944 due primarily to principal payments made during the fiscal year on existing long-term debt.

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 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 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 a government's financial position. In the case of the District, assets exceeded liabilities by \$10,172,190 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. \$3,343,300 of the District's net assets (33%) 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; consequently these assets are not available for future spending. \$6,138,318 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 16th section investment purposes. \$690,572 of the District's net assets (7%) reflects its unrestricted net assets.

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.

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	\$ 5,985,060	4,791,052
Other assets	998,041	856,801
Capital assets, net	<u>6,521,444</u>	<u>6,670,250</u>
Total assets	13,504,545	12,318,103
Current liabilities	79,375	73,436
Long-term debt outstanding	<u>3,252,980</u>	<u>3,546,924</u>
Total liabilities	3,332,355	3,620,360
Net assets:		
Invested in capital assets, net of related debt	3,343,300	3,215,366
Restricted	6,138,318	5,386,458
Unrestricted	<u>690,572</u>	<u>95,919</u>
Total net assets	<u>\$ 10,172,190</u>	<u>8,697,743</u>

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents. This increase is due primarily to conservative budgeting during the fiscal year in order to increase the fund balance of the District.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for capital improvements. Funds were transferred to the Local Building Project Fund during the fiscal year to be used for future renovation and construction of school facilities.
- Unrestricted net assets increased from the previous fiscal year due to the increase in the General Fund's fund balance resulting from conservative budgeting during the fiscal year.

Changes in net assets.

The District's total revenues for the fiscal year ended June 30, 2005 were \$13,647,569. The total cost of all programs and services was \$12,308,637. 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.

Revenues:	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Program revenues	\$ 2,940,784	3,319,233
General revenues	10,706,785	10,337,548
Total revenues	<u>13,647,569</u>	<u>13,656,781</u>
Expenses:		
Instruction	6,669,228	6,545,275
Support services	4,364,014	4,026,394
Non-instructional	916,099	881,633
Sixteenth Section	163,599	25,481
Interest and other expenses on long-term liabilities	195,697	240,719
Total Expenses	<u>12,308,637</u>	<u>11,719,502</u>
Increase in net assets	<u>\$ 1,338,932</u>	<u>1,937,279</u>

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

- Program revenues decreased from the previous fiscal year due primarily to a decrease in operating grants and contributions.
- General revenues increased from the previous fiscal year due primarily to an increase in taxes and unrestricted state grants and contributions.
- Instruction, support services and non-instructional expenses increased from the previous fiscal year due primarily to the increase in teacher pay for the fiscal year.

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.

	<u>2005</u>		<u>2004</u>	
	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$ 6,669,228	(5,728,608)	6,545,275	(5,097,925)
Support services	4,364,014	(3,366,548)	4,026,394	(3,047,231)
Non-instructional	916,099	49,131	881,633	8,472
Sixteenth Section	163,599	(126,131)	25,481	68,134
Interest on long-term liabilities	195,697	(195,697)	240,719	(240,719)
	<u>\$ 12,308,637</u>	<u>(9,367,853)</u>	<u>11,719,502</u>	<u>(8,309,269)</u>

- The net cost of governmental activities for the fiscal year 2005 in the amount of \$9,367,853 was financed by general revenue, which is made up of primarily property taxes of \$2,922,676 and state revenue of \$7,325,216.
- Investment earnings accounted for \$100,420.

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 \$6,971,676. The net change in fund balance for the fiscal year was an increase of \$1,188,058 due primarily to conservative budgeting during the fiscal year in order to increase the District's fund balance to be used for future renovation and construction projects. \$4,843,904, or 69%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Fund 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 remaining fund balance of \$2,127,772, or 31%, 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, forestry improvements, capital project purposes, debt service purposes and permanent fund 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 \$571,913 due primarily to conservative budgeting during the fiscal year in order to increase the District's fund balance. The net change in fund balance for the EEF Buildings and Buses Fund for the fiscal year was an increase of \$51,590 due to the excess of revenues over expenditures during the fiscal year. The EEF Buildings and Buses Fund had a negative fund balance at June 30, 2005 of \$496,027. This negative fund balance is due to the reclassification of sixteenth section principal loans as advances in a prior fiscal year. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of \$166,580 due to sixteenth section sources generated during the fiscal year primarily from the sale of timber, leases and earnings on investments. The net change in fund balance for the Local Building Projects Fund for the fiscal year was an increase of \$661,825 due primarily to transfers from other funds to be used for future renovation and construction projects. The net change in fund balance for the 16th Section Principal Fund for the fiscal year was a decrease of \$42,253 due primarily to the transfer of funds to the 16th Section Interest Fund. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$221,597 due primarily to the deficiency of revenues over expenditures in the Forestry Escrow Fund and various other funds.

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 state sources in the General Fund were increased to reflect the increase in Mississippi Adequate Education Program funds received during the fiscal year. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Original budgeted amounts were overstated.
- Budgeted amounts for facilities acquisition and construction expenditures in the General Fund were decreased due primarily to renovation and construction projects being delayed until the next fiscal year.
- Budgeted amounts for debt service expenditures in the General Fund were increased during the fiscal year. The original budget did not include any debt service expenditures in the General Fund.
- Budgeted amounts for revenue from sixteenth section sources in the 16th Section Interest Fund were increased to reflect the increase in revenue generated from the sale of timber, leases and earnings on investments.

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 \$10,583,326, included land buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross decrease of \$41,670 from the previous year. Total depreciation expense for the year was \$320,304. Total accumulated depreciation as of June, 30 2005 was \$4,061,882, resulting in total net assets of \$6,521,444.

Debt Administration

At June 30, 2005, the District had \$3,252,980 in limited obligation bonds and other long-term debt outstanding, of which \$288,294 is due within one year. During the fiscal year, the district made principal payments in the amount of \$292,342 on existing long-term debt.

CURRENT ISSUES

The West Jasper Consolidated 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 millage has not increased or decreased significantly from the previous fiscal year. 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.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased 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 West Jasper Consolidated School District, P.O. box 610, Bay Springs, MS 39422.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

FINANCIAL STATEMENTS

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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West Jasper Consolidated School District
Statement of Net Assets
For the Year Ended June 30, 2005

Exhibit A

ASSETS

Cash and Cash Equivalents	\$ 5,630,339
Due from other governments	340,416
Inventories	14,245
Restricted Assets	998,041
Capital Assets, net	<u>6,521,444</u>

Total Assets

13,504,485

LIABILITIES

Accounts payable and accrued liabilities	11,425
Interest Payable on Long Term Debt	67,950
Long Term Liabilities (due within one year)	
Capital Related liabilities	286,063
Non-capital liabilities	2,231
Long Term Liabilities (due beyond one year)	
Capital Related liabilities	2,892,535
Non-capital liabilities	<u>72,151</u>

Total Liabilities

3,332,355

NET ASSETS

Invested in capital assets, net or related debt	3,343,300
Restricted Net Assets	
Expendable:	
School Based Activities	1,914,978
Debt Services	339,566
Capital Improvements	2,178,217
Forestry Improvements	25,695
Unemployment Benefits	38,309
Non-expendable:	
Sixteenth Section	1,641,553
Unrestricted	<u>690,572</u>

Total Net Assets

10,172,190

Total Liabilities and Net Assets

\$ 13,504,545

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

West Jasper Consolidated School District
Statement of Activities
For the Year Ending June 30, 2005

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:				
Instruction	\$ 6,669,228	200,323	740,297	(5,728,608)
Support Services	4,364,014	-	997,466	(3,366,548)
Noninstructional services	916,099	239,828	725,402	49,131
Sixteenth section	163,599	37,468	-	(126,131)
Interest and other expenses on long-term liabilities	195,697	-	-	(195,697)
Total Governmental Activities:	<u>12,308,637</u>	<u>477,619</u>	<u>2,463,165</u>	<u>(9,367,853)</u>
General Revenues:				
Taxes:				
Property taxes - general purposes				2,795,520
Property taxes - debt services				127,156
Unrestricted grants and contributions				
State				7,325,216
Federal				90,110
Unrestricted investment earnings				100,420
Sixteenth Section sources				258,803
Other				9,560
Total General Revenues				<u>10,706,785</u>
Change in Net Assets				1,338,932
Net Assets - Beginning				8,697,743
Prior Period Adjustments				135,515
Net Assets - Restated				<u>8,833,258</u>
Net Assets - Ending				<u>\$ 10,172,190</u>

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

West Jasper Consolidated School District
 Balance Sheet - Governmental Funds
 For the Year Ended June 30, 2005

Exhibit C

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	EEF Buildings and Buses Fund	16th Section Interest Fund	Local Building Projects Fund	16th Section Principal Fund		
Assets:							
Cash and cash equivalents	\$ 878,656	-	1,679,474	2,178,217	820,493	894,052	6,450,892
Cash with fiscal agent	100	-	-	-	-	177,448	177,548
Due from other governments	131,623	5,020	-	-	-	201,703	338,346
Due from other funds	79,601	-	-	-	-	-	79,601
Advances to other funds	-	-	-	-	821,060	-	821,060
Inventories and prepaid items	-	-	-	-	-	14,245	14,245
Total Assets	1,089,980	5,020	1,679,474	2,178,217	1,641,553	1,287,448	7,881,692
Liabilities & Fund Balances:							
Liabilities:							
Accounts payable and accrued liabilities	-	-	11,425	-	-	-	11,425
Due to other funds	-	5,013	-	-	-	72,518	77,531
Advances from other funds	325,026	496,034	-	-	-	-	821,060
Total liabilities	325,026	501,047	11,425	-	-	72,518	910,016
Fund balances:							
Reserved for:							
Advances	-	-	-	-	821,060	-	821,060
Inventory	-	-	-	-	-	14,245	14,245
Unemployment benefits	-	-	-	-	-	38,309	38,309
Forestry improvements	-	-	-	-	-	25,695	25,695
Capital projects purposes	-	-	-	-	-	454	454
Debt service purposes	-	-	-	-	-	407,516	407,516
Permanent fund purposes	-	-	-	-	820,493	-	820,493
Unreserved:							
Undesignated, reported in:							
General fund	764,954	-	-	-	-	-	764,954
Special revenue funds	-	(496,027)	1,668,049	-	-	728,711	1,900,733
Permanent funds	-	-	-	2,178,217	-	-	2,178,217
Total fund balances	764,954	(496,027)	1,668,049	2,178,217	1,641,553	1,214,930	6,971,676
Total liabilities & fund balances	\$ 1,089,980	5,020	1,679,474	2,178,217	1,641,553	1,287,448	7,881,692

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

West Jasper Consolidated School District
 Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets
 For the Year Ended June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,971,676
<p>Amounts reported for net assets in the Statement of Net Assets (Exhibit A) are different because:</p>	
<p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Capital Assets	10,583,326
Less Accumulated Depreciation	<u>(4,061,882)</u>
	6,521,444
<p>Liabilities not due and payable in the current period are not reported in the funds, as follows:</p>	
Long-term liabilities	(3,252,980)
Accrued interest on debt	<u>(67,950)</u>
	(3,320,930)
Total Net Assets	<u><u>\$ 10,172,190</u></u>

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

West Jasper Consolidated School District
 Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds
 For the Year Ended June 30, 2005

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	EEF Buildings and Buses Fund	16th Section Interest Fund	Local Building Projects Fund	16th Section Principal Fund		
Revenues:							
Local revenues	\$ 2,810,910	-	-	19	-	593,844	3,404,773
State sources	6,888,968	60,174	-	-	-	872,757	7,821,899
Federal sources	90,111	-	-	-	-	1,966,481	2,056,592
Sixteenth section sources	-	-	267,984	-	52,102	38,357	358,443
Total Revenues	9,789,989	60,174	267,984	19	52,102	3,471,439	13,641,707
Expenditures:							
Instruction	5,499,222	-	-	-	-	1,004,868	6,504,090
Support services	3,173,361	-	-	-	-	1,189,635	4,362,996
Noninstructional services	42,167	-	-	-	-	858,855	901,022
Sixteenth section	-	-	1,759	-	-	161,840	163,599
Facilities acquisition and construction	300	-	-	32,194	-	-	32,494
Debt Services:							
Principal	63,788	-	-	-	-	229,000	292,788
Interest	14,694	22,311	-	-	-	163,544	200,549
Other	-	-	-	-	-	634	634
Total expenditures:	8,793,532	22,311	1,759	32,194	-	3,608,376	12,458,172
Excess (deficiency) of revenues over expenditures	996,457	37,863	266,225	(32,175)	52,102	(136,937)	1,183,535
Other financing sources (Uses)							
Insurance loss recoveries	2,625	-	-	-	-	-	2,625
Sale of other property	-	-	-	-	-	207	207
Transfers in	251,056	13,727	94,355	694,000	-	205,052	1,258,190
Other financing sources	-	-	-	-	-	3,237	3,237
Transfers out	(678,225)	-	(194,000)	-	(94,355)	(291,610)	(1,258,190)
Other financing uses	-	-	-	-	-	(1,546)	(1,546)
Total other financing sources and uses	(424,544)	13,727	(99,645)	694,000	(94,355)	(84,660)	4,523
Net change in fund balances	571,913	51,590	166,580	661,825	(42,253)	(221,597)	1,188,058
Fund balances:							
July 1, 2004, as previously reported	187,510	(547,617)	1,501,469	1,516,392	1,683,806	1,306,293	5,647,853
Prior period adj. & reclassifications	5,531	-	-	-	-	138,274	143,805
July 1, 2004, as restated	193,041	(547,617)	1,501,469	1,516,392	1,683,806	1,444,567	5,791,658
Increase (decrease) in reserve for inventory	-	-	-	-	-	(8,040)	(8,040)
June 30, 2005	\$ 764,954	(496,027)	1,668,049	2,178,217	1,641,553	1,214,930	6,971,676

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

West Jasper Consolidated School District
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
 to Statement of Activities
 For the Year Ended June 30, 2005

Exhibit D-1

Net change in fund balance \$ 1,188,058

Amounts reported in the Statement of Activities (Exhibit B) are different because:

Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets. 191,649

Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities. (320,304)

In the Statements of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets differs from the change in fund balances by a combination of the following items:

Proceeds from the sale of capital assets (207)
 Losses on the sale of capital assets (11,052)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 292,788

Under the modified accrual basis accounting used governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

Compensated absences decreases 554
 Accrued interest on debt increases 5,486

A decrease in the reserve for inventory is reported as a direct decrease to the fund balance in the governmental funds but is an increase in noninstructional service expense in the Statement of Activities. (8,040)

Change in Net Assets of Governmental Activities

1,338,932

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

West Jasper Consolidated School District
Statement of Fiduciary Obligations - Agency Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 512,204</u>
Total Assets	<u>512,204</u>
Liabilities	
Accounts payable and accrued liabilities	480,522
Due to other funds	2,070
Due to student clubs	<u>29,612</u>
Total Liabilities	<u><u>\$ 512,204</u></u>

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

Notes to Financial Statements

(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.

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.

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

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, as are the Fiduciary Funds financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange 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.

EEF Buildings and Buses Fund - This is a Special Revenue Fund. 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.

Local Building Project Fund - This is a capital projects fund and is used to account for the proceeds of revenues designated for local building projects.

Sixteenth Section Principal Fund - This is a permanent fund used to account for resources from sixteenth section lands 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.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

Sixteenth Section Interest Fund– This is a Special Revenue Fund. 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.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

Additionally, the school district reports the following fund types:

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 broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* issued in 2005 by the Government Finance Officers Association and 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.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

Notes to the 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.

Investments are reported at fair value.

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.

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

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 and proprietary funds.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

	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.

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. In the government-wide Statement of Net Assets, long-term debt and other long-term liabilities are reported as liabilities in the governmental activities column. See note 6 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.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

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, constructions 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.

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 permanent fund purposes - An account that represents the portion of the fund balance of the sixteenth section principal fund which is legally restricted for investment purposes

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

Reserved for forestry improvements - An account that represents the fund balance of the sixteenth section forestry escrow fund which is legally restricted for improvements to sixteenth section forest lands.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

Reserved for capital projects - An account that represents that portion of fund balance in the Capital projects fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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 based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee resigns or retires.

(2) Changes in Accounting Standards

As required, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents, and Cash with Fiscal Agents.

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

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 \$6,450,892 and \$512,204 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$5,630,399 and Restricted Assets \$998,041. The restricted assets represents the cash balance of the sixteenth section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's program. The bank balance was \$6,484,730.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$177,548.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the even 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. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

(4) 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>
Major Funds:		
General Fund	\$ 79,601	
EEF Buildings and Buses Fund		5,013
Non-major Funds:		72,518
Agency Funds		2,070
Total Funds	<u>\$ 79,601</u>	<u>79,601</u>

During the course of the school year, expenditures are paid on a reimbursement basis causing the district to borrow moneys from other funds to cover expenditures at year end and not create a deficit. The above interfund loans were made to cover year end expenditures.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Major funds:		
General fund		\$ 325,026
EEF Building and Buses		496,034
Sixteenth Section Principal Fund	821,060	
Non-major Funds		
Total Funds	<u>\$ 821,060</u>	<u>821,060</u>

The above transfers were made to close funds.

Sixteenth section principal loans payable.

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

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 104,733	33,210	137,943
2007	108,962	28,981	137,943
2008	93,168	24,581	117,750
2009	86,458	20,811	107,270
2010	89,962	17,308	107,270
2011-2015	<u>337,778</u>	<u>31,729</u>	<u>369,507</u>
Total	<u>\$ 821,061</u>	<u>156,621</u>	<u>977,682</u>

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.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

C. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 251,056	678,225
EEF Buildings and Buses Fund	13,727	
Sixteenth Section Interest Fund	94,355	194,000
Local Building Projects Funds	694,000	
Other governmental funds:		94,355
Non-major Funds	205,052	291,610
Total Funds	<u>\$ 1,258,190</u>	<u>1,258,190</u>

The transfers are distribution of interest earned mainly in the Sixteenth Section Principal and Interest Fund.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

(5) Capital Assets

	Balance 7/1/2004	Additions	Deletions	Adjustments	Balance 6/30/2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 164,710				164,710
Total non-depreciable capital assets	164,710	-	-	-	164,710
<u>Depreciable capital assets:</u>					
Buildings	7,743,923				7,743,923
Building improvement	52,070				52,070
Improvement other than buildings	176,794			3,328	180,122
Mobile equipment	1,648,022	166,112			1,814,134
Furniture and equipment	564,886	25,537	(217,586)	29,754	402,591
Obligations under capital leases	274,591			(48,815)	225,776
Total depreciable capital assets	10,460,286	191,649	(217,586)	(15,733)	10,418,616
<u>Less accumulated depreciation for:</u>					
Buildings	(2,257,454)	(141,136)			(2,398,590)
Building improvement	(23,364)	(1,076)			(24,440)
Improvement other than buildings	(7,072)	(7,025)		(313)	(14,410)
Mobile equipment	(1,015,393)	(110,807)			(1,126,200)
Furniture and equipment	(471,410)	(27,195)	206,327	(41,173)	(333,451)
Obligations under capital leases	(180,053)	(33,065)		48,327	(164,791)
Total accumulated depreciation	(3,954,746)	(320,304)	206,327	6,841	(4,061,882)
Total depreciable capital assets, net	6,505,540	(128,655)	(11,259)	(8,892)	6,356,734
Governmental activities capital assets, net	6,670,250	(128,655)	(11,259)	(8,892)	6,521,444

Adjustments: The adjustments were (1) to correct year of purchase, (2) to remove previously disposed assets, (3) to move paid off asset from lease purchase to furniture and equipments, and (4) to correct to actual.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 152,900
Support services	147,017
Non-instructional	20,387
Total depreciation expense	\$ 320,304

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

(6) Long-term liabilities.

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

	Balance 7/1/2004	Reductions	Adjustments	Balance 6/30/2005	Amount Due within one year
A. Limited obligation bonds payable	\$2,740,000	(140,000)		2,600,000	150,000
B. Three-mill ten year notes payable	608,000	(89,000)		519,000	94,000
C. Obligations under capital leases	68,029	(33,374)		34,655	17,120
D. Obligations under energy efficiency leases	55,959	(30,414)	(602)	24,943	24,943
E. Compensated absences payable	74,936	(554)		74,382	2,231
Total	<u>\$3,546,924</u>	<u>(293,342)</u>	<u>(602)</u>	<u>3,252,980</u>	<u>288,294</u>

An adjustment was made to bring the balance of obligations under energy efficiency leases to actual.

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 improvements, Series 1998	6.25-4.5%	01/01/98	01/01/18	\$ 3,230,000	2,600,000
Total				<u>\$ 3,230,000</u>	<u>2,600,000</u>

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 150,000	122,935	272,935
2007	160,000	116,335	276,335
2008	165,000	109,135	274,135
2009	170,000	101,710	271,710
2010	180,000	93,890	273,890
2011-2015	1,030,000	334,855	1,364,855
2016-2020	745,000	75,280	820,280
Total	<u>\$ 2,600,000</u>	<u>954,140</u>	<u>3,554,140</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 Mississippi Adequate Education Program Fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year note payable	5.24%	01/03/00	01/03/10	\$ 925,000	519,000
Total				<u>\$ 925,000</u>	<u>519,000</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 94,000	27,196	121,196
2007	99,000	22,270	121,270
2008	103,000	17,082	120,082
2009	109,000	11,685	120,685
2010	114,000	5,974	119,974
Total	<u>\$ 519,000</u>	<u>84,207</u>	<u>603,207</u>

This debt will be retired from the Three Mill Ten Year Note Retirement Fund.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

C. Obligations under capital leases.

The school district has entered into three lease agreements that qualify as a capital lease for accounting purposes. Leased property under these leases is composed of:

1. Student Data Management software
2. Financial software
3. One Cannon copier

The various options available to the lessee for these leases are as follows:

1. The school district has the option to purchase conditioned on performance of terms and provisions of agreement.
2. The school district has the option to terminate the lease agreement upon expiration of the then current fiscal year if sufficient funds are not allotted.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 17,120	1,004	18,124
2007	17,535	589	18,124
Total	\$ 34,655	1,593	36,248

This debt will be retired from the District Maintenance Fund.

The school district uses the straight-line method of amortization for the lease payments, which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

D. Obligations under energy efficiency lease.

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

Year Ending June 30	Principal	Interest	Total
2006	24,943	691	25,634
Total	\$ 24,943	691	25,634

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

An energy efficiency lease agreement dated January 4, 1999, was executed by and between the district, the lessee, and [Mississippi Power Company], the lessor. The lease was assigned on April 6, 1999 to Hancock Bank, the present lessor.

The agreement authorized the borrowing of \$174,401 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and the Mississippi Adequate Education Program Interest fund and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the district maintenance and the Mississippi Adequate Education Program interest funds.

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.

(7) 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 \$665,226, \$613,625 and \$587,541, respectively, which equaled the required contributions for each year.

(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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

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	\$ 11,196
2007	9,640
2008	8,138
2009	7,379
2010	6,414
2011-2015	5,704
2016-2020	4,000
2021-2025	4,000
2026-2030	<u>3,260</u>
 Total	 <u>\$ 59,731</u>

(9) Deficit Fund Balance of Individual Funds.

The EEF Building and Buses Fund has a deficit fund balance in the amount of \$496,027.

The deficit fund balance is not in violation of state law. Funds are not available to eliminate this deficit.

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
An adjustment to correct a prior year error in recording an asset or liability.	<u>\$ 135,515</u>
Total	<u>\$ 135,515</u>

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

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

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	An adjustment to correct a prior year error in recording an asset or liability.	\$ 5,531
Other Governmental Funds	An adjustment to correct a prior year error in recording an asset or liability.	138,274
	Total	<u>\$ 143,805</u>

(11) Subsequent Events.

On August 8, 2005, the School District approved proceeding with the blueprints for two building/renovation projects. These projects include the renovation of the gymnasium at Bay Springs High School and construction of a science lab addition at Stringer Attendance Center. No contracts have been signed as of this date. The district expects to pay for this out of monies that have been designed for capital projects over the last two years.

A girl's softball field has been started at Bay Springs High School. It is estimated that it will cost approximately \$100,000—to be paid out of sixteenth section interest funds.

On August 29, 2005, the school district also experienced timber losses from Hurricane Katrina of an estimated \$1 million. Salvage operations may recoup approximately 20% of that amount; however, the district anticipates increased costs to replant the damaged areas.

The district had damage to school roofs, awnings and other property from Hurricane Katrina. On September 19, 2005, the school board approved proceeding with emergency roofing repairs due to Hurricane Katrina. A contract was signed totaling \$193,450—with architect fees of \$11,607.

(12) 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 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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

BancorpSouth Bank 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.

(13) 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 to estimate ultimate outcome or liability, if any, of the school district in respect to various proceedings. However, the school district's legal counsel believes that there are no lawsuits or threatened proceedings that will have a material adverse effect on the financial condition of the school district.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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West Jasper Consolidated School District
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	2,759,533	2,808,825	2,810,910	49,292	2,085
State sources	6,452,641	6,888,968	6,888,968	436,327	-
Federal sources	66,000	90,111	90,111	24,111	-
Total revenues	9,278,174	9,787,904	9,789,989	509,730	2,085
Expenditures					
Instruction	5,501,481	5,499,209	5,499,222	2,272	(13)
Support services	3,417,150	3,201,472	3,173,361	215,678	28,111
Noninstructional services	15,991	9,571	42,167	6,420	(32,596)
Sixteenth section	700	300	-	400	300
Facilities acquisition and construction	208,621	-	300	208,621	(300)
Debt service:					
Principal	-	78,024	63,788	(78,024)	14,236
Interest	-	4,406	14,694	(4,406)	(10,288)
Total expenditures	9,143,943	8,792,982	8,793,532	350,961	(550)
Excess (deficiency) of revenues over expenditures	134,231	994,922	996,457	860,691	1,535
Other Financing Sources					
Insurance loss recoveries	-	2,625	2,625	2,625	-
Transfers in	340,352	173,412	251,056	(166,940)	77,644
Transfers out	(229,504)	(65,857)	(678,225)	163,647	(612,368)
Total other financing sources and uses	110,848	110,180	(424,544)	(668)	(534,724)
Net change in fund balance	245,079	1,105,102	571,913	860,023	(533,189)
Fund balances:					
July 1, 2004, as previously reported			187,510		
Prior period adjustment & reclassification			5,531		
July 1, 2004 as restated			193,041		
June 30, 2005			\$ 764,954		

West Jasper Consolidated School District
 EEf Building and Buses Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues					
State sources	60,174	60,174	60,174	-	-
Total revenues	60,174	60,174	60,174	-	-
Expenditures					
Debt service:					
Principal	51,590	-	-	51,590	-
Interest	22,311	22,311	22,311	-	-
Total expenditures	73,901	22,311	22,311	51,590	-
Excess (deficiency) of revenues over expenditures	(13,727)	37,863	37,863	(51,590)	-
Other Financing Sources					
Transfers in	13,727	13,727	13,727	-	-
Total other financing sources and uses	13,727	13,727	13,727	-	-
Net change in fund balance	-	51,590	51,590	(51,590)	-
Fund balances:					
July 1, 2004			(547,617)		
June 30, 2005			\$ (496,027)		

West Jasper Consolidated School District
 16th Section Interest Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues					
Sixteenth section sources	<u>131,540</u>	<u>267,984</u>	<u>267,984</u>	<u>136,444</u>	
Total revenues	<u>131,540</u>	<u>267,984</u>	<u>267,984</u>	<u>136,444</u>	<u>-</u>
Expenditures					
Sixteenth section	<u>7,075</u>	<u>1,759</u>	<u>1,759</u>	<u>5,316</u>	<u>-</u>
Total expenditures	<u>7,075</u>	<u>1,759</u>	<u>1,759</u>	<u>5,316</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>124,465</u>	<u>266,225</u>	<u>266,225</u>	<u>131,128</u>	<u>-</u>
Other Financing Sources					
Transfers in	46,000	94,355	94,355	48,355	-
Transfers out	<u>(324,000)</u>	<u>(194,000)</u>	<u>(194,000)</u>	<u>130,000</u>	<u>-</u>
Total other financing sources and uses	<u>(278,000)</u>	<u>(99,645)</u>	<u>(99,645)</u>	<u>178,355</u>	<u>-</u>
Net change in fund balance	<u>(153,535)</u>	<u>166,580</u>	<u>166,580</u>	<u>309,483</u>	<u>-</u>
Fund balances:					
July 1, 2004			<u>1,501,469</u>		
June 30, 2005			<u>\$ 1,668,049</u>		

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

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 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.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Agriculture:		
Non-cash assistance:		
Food donation	10.550	\$ 52,944
Child nutrition cluster:		
School breakfast program	10.553	234,857
National School lunch program	10.555	453,489
Total child nutrition cluster		<u>688,346</u>
Total U. S. Department of Agriculture		<u>741,290</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	495,946
Vocational education-basic grants to states	84.048	21,051
Safe and drug-free schools and communities-state grants	84.186	11,543
Eisenhower professional development state grants	84.281	109,832
State grants for innovative programs	84.298	111,325
Total		<u>749,697</u>
Special education cluster:		
Special education-grants to states	84.027	480,895
Special education-preschool grants	84.173	37,630
Total		<u>518,525</u>
Total passed-through Mississippi Department of Education		<u>1,268,222</u>
Total U. S. Department of Education		<u>1,268,222</u>
Total for All Federal Awards		<u>\$ 2,009,512</u>

NOTES TO SCHEDULE

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

WEST JASPER CONSOLIDATED 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	\$ 9,035,791	5,918,360	1,100,281	2,017,150
Other	3,422,381	585,730	212,465	2,624,186
Total	12,458,172	6,504,090	1,312,746	4,641,336
 Total number of students	 1,634			
 Cost per student	 \$ 7,624	 3,980	 803	 2,841

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

Instruction - includes that 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); and Support Services - Business (2500s)

Other - includes all expenditure functions not included in Instruction or Administrative

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

WEST JASPER CONSOLIDATED 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*

November 16, 2005

Superintendent and School Board
West Jasper Consolidated School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Jasper Consolidated School District as of and for the year ended June 30, 2005, which collectively comprise West Jasper Consolidated School District's basic financial statements and have issued our report thereon dated November 16, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 05-01, 05-02 and 05-03.

A material weakness is a 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. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

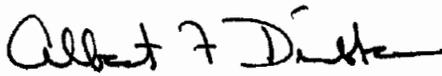
Compliance and Other Matters

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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated November 16, 2005, which is included in this report.

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 report and its distribution is not limited.

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

McComb, Mississippi

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

November 16, 2005

Superintendent and School Board
West Jasper Consolidated School District

Compliance

We have audited the compliance of the West Jasper Consolidated 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, West Jasper Consolidated 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.

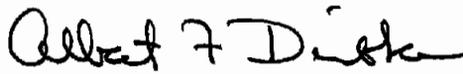
Internal Control Over Compliance

The management of the West Jasper Consolidated 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 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 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 did not note any matters involving 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 report and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben".

Albert F. Dribben, COA

Dribben & Associates, Ltd.

McComb, Mississippi

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

November 16, 2005

Superintendent and School Board
West Jasper Consolidated School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Jasper Consolidated School District as of and for the year ended June 30, 2005, which collectively comprise West Jasper Consolidated School District's basic financial statements and have issued our report thereon dated November 16, 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.

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.

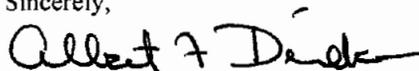
The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$8,777 of classroom supply funds carried over from previous years.

The result 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.

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.

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 report and its distribution is not limited.

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

McComb, Mississippi

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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WEST JASPER CONSOLIDATED 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 financial	Unqualified
2	Material noncompliance relating to the financial	No
3	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Reportable conditions identified that are not considered to be material weaknesses?	Yes

Federal Awards:

4	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Reportable condition identified that are not considered to be material weaknesses?	No
6	Any audit finding reported as required by Section ____510(a) of Circular A-133?	No
7	Federal programs identified as major programs:	
	a. Child Nutrition Cluster:	
	School breakfast program	10.553
	National school lunch program	10.555
	b. Special Education Cluster	
	Special education - grants to states	84.027
	Special education - preschool grants	84.173
	c. Title I - grants to local educational agencies	84.010
8	The dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
9	Auditee qualified as low-risk auditee?	Yes
10	Prior fiscal year audit finding(s) 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?	No

Section 2: Financial Statement Findings

Reportable conditions not considered to be material weaknesses.

05-01 Finding

As reported in the prior year's audit report, in our tests of general and agency, activity fund and club fund expenditures, we noted the following weakness in

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

internal control:

Two instances of invoices not being cancelled or marked "Paid."

Recommendation

We recommend that the school district implement policies and procedures to correct the above weaknesses. Guidance can be found in the *Financial Accounting Manual for Mississippi Public School Districts*. At a minimum, the district should:

Require the use of "Paid" stamp or other defacing markings, such as paid date and check number to prevent invoices from possible duplicate payment.

05-02

Finding

The following internal control weakness was noted during test work performed on general fixed assets:

Two tagged assets were found in the school district which were not listed on the subsidiary records of assets.

Recommendation

We recommend that the district implement established policies and procedures to ensure assets belonging to the district are accounted for in a manner consistent with requirements of the *Financial Accounting Manual for Mississippi Public School Districts*, the *Mississippi Public School Asset Management Manual* and OMB Circular A-102. We recommend that the following specific actions be taken:

A physical inventory of all assets within the school district should be performed at a minimum annually, to verify that all assets owned by the district are recorded in the school district's records.

05-03

Finding

The following internal control weaknesses were noted during test work performed on general and agency activity and club fund receipts. Transactions were selected for testing from one month's activity from each school of the district:

- a. As reported in the prior years' audit report, two instances were noted where receipts did not indicate the type of payment being submitted.
- b. As reported in the prior years' audit report, eight instances were noted where receipts did not indicate the name of the person remitting the funds.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

Recommendation

We recommend that the district implement policies and procedures to correct the above noted weaknesses. Guidance can be found in the *Financial Accounting Manual for Mississippi Public School Districts*. At a minimum, the district should implement the following procedures:

- a. All receipts should be completed to include the type of payment received, whether cash, check or money order. This constitutes an important internal control for comparisons with deposits made.
- b. The name of the person remitting the funds is required should a question arise as to a student's payment. For example, it is not enough to write in "Workbook Fees." The name of the teacher turning in funds should be noted on the receipt and the teacher must turn in a list of students remitting the funds.

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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Kaye Dyess
Superintendent

Phone: 601-764-2280
Fax: 601-764-4490



Bay Springs Elementary
Bay Springs Middle
Bay Springs High School
Stringer Attendance Center

West Jasper School District

Office of the Superintendent
Post Office Box 610
Bay Springs, Mississippi 39422

February 20, 2006

Dribben & Associates, Ltd.
P. O. Box 1411
McComb, MS 39649-1411

As required by Section 315@ of OMB circular A-133 the West Jasper School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005.

Finding Corrective Action Plan Details

- 05-1
- a. Kaye Dyess Patrick, Superintendent 601-764-2280 ext 103
Mary Martin, Business Manager 601-764-2645 ext 114
 - b. The Business Manager reviewed with clerical staff procedures from the *Financial Accounting Manual for Mississippi Public School Districts* page B4 on Paid Invoice Files. The staff was given a copy of the procedures and instructed to stamp the invoice paid after it has been paid and write the check number and date paid on the invoice. Staff was advised this is a control feature to help prevent duplicate or repayment invoices.
 - c. February 20, 2006
- 05-2
- a. Judy McLarty, Technology/Testing Director 601-764-2280 ext. 102
Kaye Dyess Patrick, Superintendent 601-764-2280 ext. 103
 - b. The school district will perform four physical internal audits per fiscal year at all school sites. The superintendent and director reviewed with fixed asset managers from each school the established procedures required from the *Financial Accounting Manual for Mississippi Public School Districts* and the *Mississippi Public School Asset Management Manual*. A bar code reader is being purchased to aid the district in accurately verifying that all assets owned by the district are recorded in the school district's records.
 - c. Immediately and March 31, 2006

05-03

- a. Mary Martin, Business Manager 601-764-2645 ext. 114
Kaye Dyess Patrick, Superintendent 601-764-2280 ext. 103
- b. The Business Manger reviewed with clerical staff procedures from the *Financial Accounting Manual for Mississippi Public School Districts* page F3. The staff was directed to write the name of the person remitting funds, date, amount, and type of payment received (cash, check, money order), a description and the financial account code. Staff was advised this constitutes an important internal control for comparison with deposits made. New receipt books have been purchased and encoded with account numbers and a place to check the type of funds being received.
- c. February 20, 2006

Sincerely,



Kaye Dyess Patrick
Superintendent