

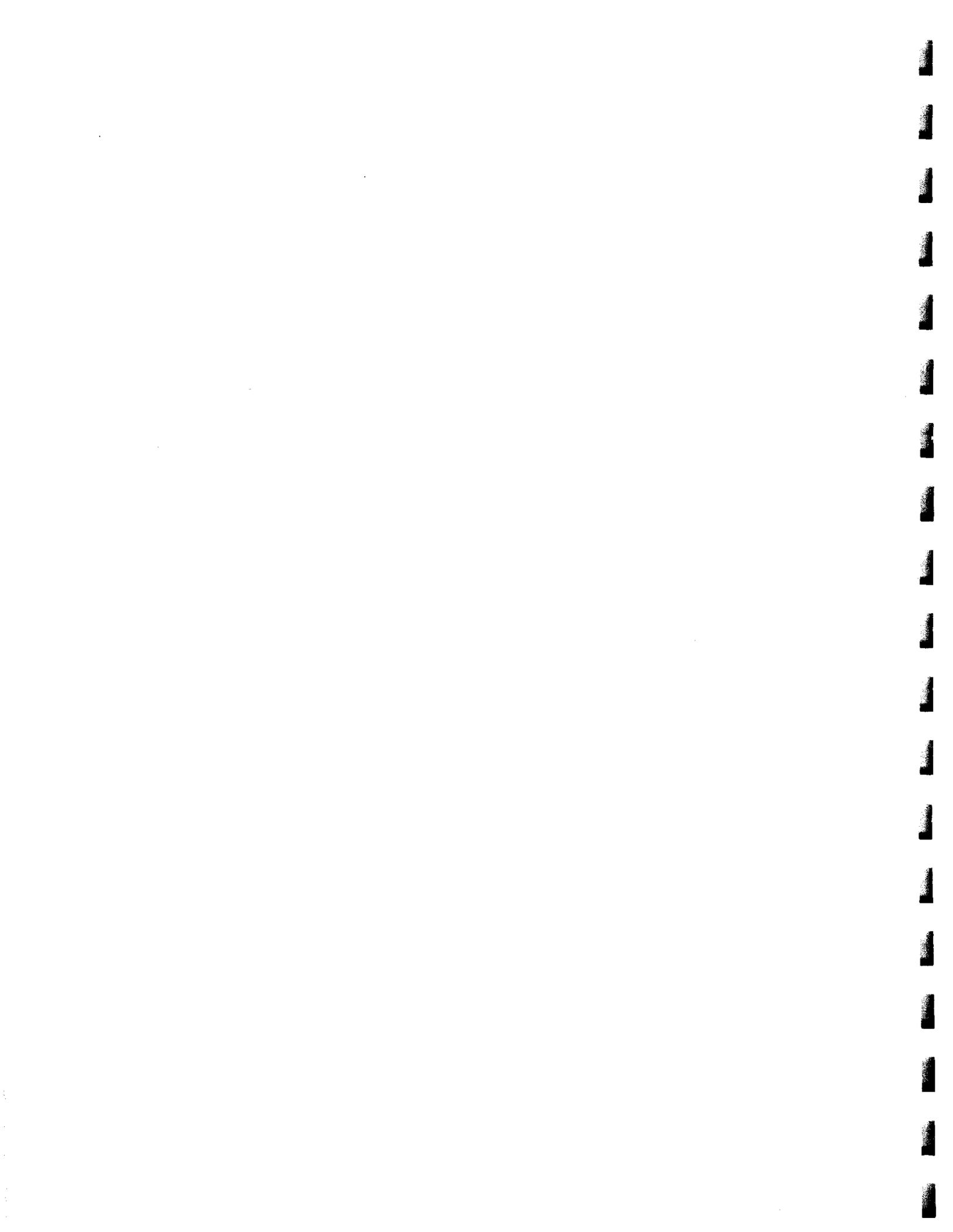


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EAST JASPER SCHOOL DISTRICT

Audited Financial Statements
For the Fiscal Year Ended June 30, 2006

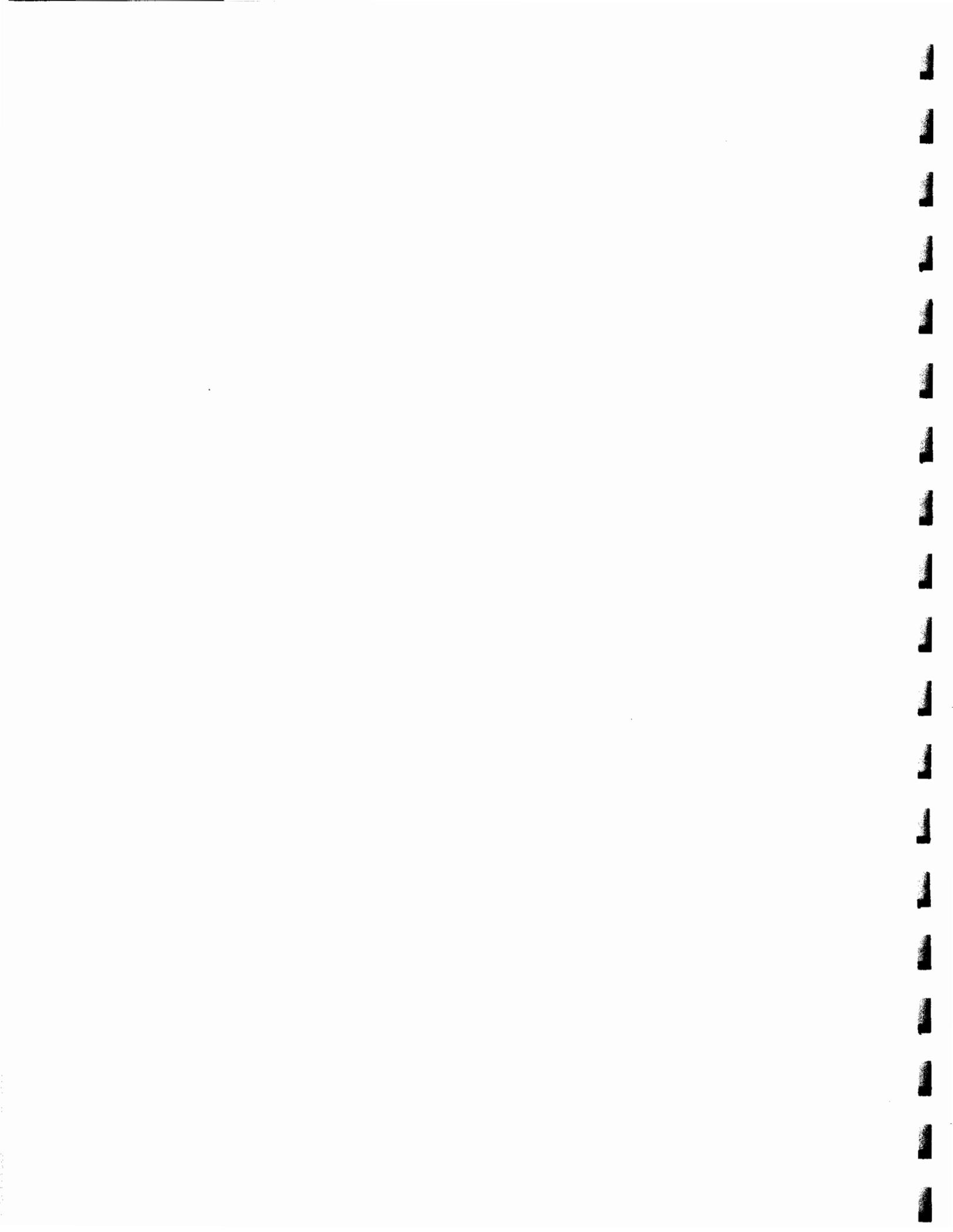
Cox & Palmer
Certified Public Accountants



EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

EAST JASPER SCHOOL DISTRICT

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

Superintendent and School Board
East Jasper School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2006, which collectively comprise the East Jasper School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the East Jasper School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2007, on our consideration of the East Jasper School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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

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East Jasper School District
Independent Auditor's Report

an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 49 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Jasper School District's basic financial statements. The 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.

Cox & Palmer

Cox & Palmer
January 24, 2007

EAST JASPER SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST JASPER SCHOOL DISTRICT

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East Jasper School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

The discussion and analysis of the East Jasper School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review 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 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, including the effect of prior period adjustments, increased \$376,745, which represents a 5% increase from fiscal year 2005. This increase is due primarily to insurance loss recoveries totaling \$228,278 resulting from Hurricane Katrina, the purchase of capital assets and the reduction of long-term debt during the fiscal year.
- General revenues accounted for \$8,143,845 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,612,388 or 24% of total revenues.
- The District had \$10,372,987 in expenses; only \$2,612,388 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,143,845 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,249,561 in revenues and \$7,599,421 in expenditures. After net other financing uses of \$156,603, the net change in fund balance for the General Fund was a decrease of \$506,463 from the prior year. This decrease is due to the transfer of funds from the General Fund to the Building Project Fund to be used for the renovation and/or construction of school facilities.
- Capital assets, net of accumulated depreciation, increased by \$58,058.
- Long-term debt decreased by \$103,731.

East Jasper School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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: 1) government-wide financial statements, and 2) fund 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

East Jasper School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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 government 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*. 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.

Other information. In addition to the basic financial statements, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$7,430,419 as of June 30, 2006.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$1,325,158 of the District's net assets (18%) reflects its investment in capital assets (e.g., land, buildings,

East Jasper School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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. \$4,946,428 of the District's net assets (67%) 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. \$1,158,833 of the District's net assets (15%) 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 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, 2006 and comparative data for the fiscal year ended June 30, 2005.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current assets	\$ 4,634,604	\$ 4,360,452
Other assets	2,199,279	1,862,687
Capital assets, net	<u>3,519,798</u>	<u>3,461,740</u>
Total assets	<u>10,353,681</u>	<u>9,684,879</u>
Current liabilities	557,718	161,930
Long-term debt outstanding	<u>2,365,544</u>	<u>2,469,275</u>
Total liabilities	<u>2,923,262</u>	<u>2,631,205</u>
Net assets:		
Invested in capital assets, net of related debt	1,325,158	1,065,643
Restricted	4,946,428	4,221,008
Unrestricted	<u>1,158,833</u>	<u>1,767,023</u>
Total net assets	<u>\$ 7,430,419</u>	<u>\$ 7,053,674</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 amounts due from other governments, specifically the amount due from the federal government related to the Displaced Student Grants resulting from Hurricane Katrina.
- Current liabilities increased from the previous fiscal year due primarily to the recording of a portion of accrued payroll at fiscal year end in the governmental funds.

East Jasper School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the purchase of capital assets and the decrease in long-term debt related to those capital assets.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for capital improvements resulting from a transfer of funds from the General Fund to the Building Project Fund during the fiscal year.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the transfer of funds from the General Fund to the Building Project Fund during the fiscal year.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$10,756,233. The total cost of all programs and services was \$10,372,987. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 213,153	\$ 256,960
Operating grants and contributions	2,399,235	1,990,164
General revenues:		
Property taxes	1,800,865	2,094,448
Grants and contributions not restricted	5,223,719	4,897,192
Other	<u>1,119,261</u>	<u>765,429</u>
Total revenues	<u>10,756,233</u>	<u>10,004,193</u>
 Expenses:		
Instruction	5,378,103	4,973,876
Support services	4,153,871	3,605,618
Non-instructional	642,346	608,870
Sixteenth section	53,731	106,840
Interest and other expenses on long-term liabilities	<u>144,936</u>	<u>160,153</u>
Total expenses	<u>10,372,987</u>	<u>9,455,357</u>
 Prior period adjustments	<u>(6,501)</u>	<u>0</u>
 Increase in net assets	<u>\$ 376,745</u>	<u>\$ 548,836</u>

East Jasper School District
 Management's Discussion and Analysis
 For the Year Ended June 30, 2006

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

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions, specifically the Title I and Displaced Student Grants.
-
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions and other sources.
- Instruction and support services expenses increased from the previous fiscal year due primarily to the 8% increase in salaries and benefits.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2006 and comparative data 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>2006</u>		<u>2005</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 5,378,103	\$ (4,194,636)	\$ 4,973,876	\$ (3,994,387)
Support services	4,153,871	(3,445,420)	3,605,618	(3,067,718)
Non-instructional	642,346	53,993	608,870	87,481
Sixteenth section	53,731	(29,600)	106,840	(73,456)
Interest and other expenses on long-term liabilities	<u>144,936</u>	<u>(144,936)</u>	<u>160,153</u>	<u>(160,153)</u>
Total expenses	<u>\$ 10,372,987</u>	<u>\$ (7,760,599)</u>	<u>\$ 9,455,357</u>	<u>\$ (7,208,233)</u>

- The net cost of governmental activities for fiscal year 2006 in the amount of \$7,760,599 was financed by general revenue, which is made up of primarily property taxes of \$1,800,865 and state revenue of \$5,101,606.
- Investment earnings accounted for \$160,198 of funding.
- Sixteenth section sources in the amount of \$338,769 were generated during the fiscal year primarily from the sale of timber, oil and gas royalties, leases and earnings on investments.

East Jasper School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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, 2006, its governmental funds reported a combined fund balance of \$6,330,517. The net change in fund balance for the fiscal year was an increase of \$218,997 due primarily to insurance loss recoveries for damages related to Hurricane Katrina.

\$3,577,938, or 57%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds is a result of transfers from other funds and will be used for capital improvements. The portion of the fund balance reported in the Permanent Funds represents earnings on sixteenth section investments that have not been transferred to the 16th Section Interest Fund as of the year end.

The remaining fund balance of \$2,752,579, or 43%, 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, 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 a decrease of \$506,463 due primarily to the transfer of funds to the Building Project Fund to be used for the renovation and/or construction of school facilities. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was a decrease of \$224,805 due primarily to the transfer of funds to the General Fund for district operations and the transfer of funds to the Building Project Fund for the renovation and/or construction of school facilities. The net change in fund balance for the 16th Section Principal Fund for the fiscal year was an increase of \$227,735 due primarily to revenue generated from oil and gas royalties and earnings on investments. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$722,530 due primarily to the transfer of funds from the General Fund and the 16th Section Interest Fund to the Building Project Fund to be used for the renovation and/or construction of school facilities.

East Jasper School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from local sources in the General Fund were increased primarily to reflect the increase in royalty income and earnings on investments.
- Budgeted amounts for revenue from federal sources in the General Fund were increased to reflect E-Rate funds received during the fiscal year. The E-Rate funds were not included in the original budget.
- Budgeted amounts for instruction expenditures in the General Fund were decreased primarily to reflect a decrease in amounts expended for textbooks and professional services and to reflect a decrease in expenditures related to the alternative school and the salary of one special education teacher.
- Budgeted amounts for support services expenditures in the General Fund were decreased primarily to reflect a decrease in expenditures related to the library, curriculum, technology, attorney fees, utilities and maintenance and storm repairs.
- Budgeted amounts for other financing sources in the General Fund were increased primarily to reflect proceeds received from a shortfall note, insurance loss recoveries resulting from Hurricane Katrina and transfers to the General Fund from the 16th Section Interest Fund.
- Budgeted amounts for other financing uses in the General Fund were increased primarily to reflect the transfer of funds from the General Fund to the Building Project Fund during the fiscal year.
- Revenues and expenditures related to the Displaced Students Fund were not included in the original budget. The funds were received subsequent to Hurricane Katrina and were used to reimburse the District Maintenance Fund for expenditures incurred for the instruction of students displaced by the storm.
- Budgeted amounts for other financing uses in the 16th Section Interest Fund were increased to reflect the transfer of funds to the General Fund and the Building Project Fund during the fiscal year.

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

East Jasper School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets, before depreciation, were \$6,814,864, including land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$317,854 from the previous year. During the fiscal year, the district purchased new bleachers for a football field, three new buses and several items of equipment. Total depreciation expense for the year was \$259,796. Total accumulated depreciation as of June 30, 2006 was \$3,295,066, resulting in total net assets of \$3,519,798.

Debt Administration. At June 30, 2006, the District had \$2,365,544 in limited obligation bonds and other long-term debt outstanding, of which \$264,966 is due within one year. During the fiscal year, the district obtained a shortfall note payable in the amount of \$98,834 and made principal payments on existing long-term debt in the amount of \$201,457.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage did not increase or decrease significantly from the previous 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 did not increase or decrease significantly from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

FINANCIAL STATEMENTS

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,031,520
Due from other governments	648,259
Accrued interest receivable	97,117
Inventories	6,424
Restricted assets	2,058,983
Capital assets, not being depreciated:	
Land	1,500
Capital assets, net of accumulated depreciation:	
Buildings	2,379,766
Building improvements	74,192
Improvements other than buildings	177,015
Mobile equipment	710,989
Furniture and equipment	101,000
Leased property under capital leases	<u>75,336</u>
Total Assets	<u>10,362,101</u>
Liabilities	
Accounts payable and accrued liabilities	511,786
Interest payable on long-term liabilities	54,352
Long-term liabilities, due within one year	
Capital related liabilities	158,925
Non-capital related liabilities	106,041
Long-term liabilities, due beyond one year	
Capital related liabilities	2,035,715
Non-capital related liabilities	<u>64,863</u>
Total Liabilities	<u>2,931,682</u>
Net Assets	
Invested in capital assets, net of related debt	1,325,158
Restricted net assets:	
Expendable:	
School - based activities	1,357,142
Debt service	301,244
Capital improvements	691,605
Forestry improvements	134,559
Unemployment benefits	24,260
Non-expendable:	
Sixteenth section	2,437,618
Unrestricted	<u>1,158,833</u>
Total Net Assets	<u>\$ 7,430,419</u>

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

EAST JASPER SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 5,378,103	\$ 98,218	\$ 1,085,249	\$ -	\$ (4,194,636)
Support services	4,153,871	-	708,451	-	(3,445,420)
Non-instructional	642,346	90,804	605,535	-	53,993
Sixteenth section	53,731	24,131	-	-	(29,600)
Interest and other expenses on long-term liabilities	144,936	-	-	-	(144,936)
Total Governmental Activities	\$10,372,987	\$ 213,153	\$2,399,235	\$ -	(7,760,599)

General Revenues:

Taxes:

General purpose levies	1,741,558
Debt purpose levies	59,307

Unrestricted grants and contributions:

State	5,101,606
Federal	122,113
Unrestricted investment earnings	160,198
Sixteenth section sources	338,769
Other	620,294

Total General Revenues 8,143,845

Change in Net Assets 383,246

Net Assets - Beginning 7,053,674

Prior Period Adjustments (6,501)

Net Assets - Beginning - Restated 7,047,173

Net Assets - Ending \$ 7,430,419

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

EAST JASPER SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2006

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Displaced Students Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 1,659,761	\$ -	\$ 980,674	\$ 1,931,015	\$ 1,391,085	\$ 5,962,535
Investments	-	-	-	-	127,968	127,968
Due from other governments	231,046	162,078	-	11,340	243,795	648,259
Accrued interest receivable	37,172	-	21,390	34,671	3,884	97,117
Due from other funds	220,915	-	-	-	13,334	234,249
Advance to other funds	-	-	-	469,012	-	469,012
Inventories and prepaid items	-	-	-	-	6,424	6,424
Total Assets	<u>2,148,894</u>	<u>162,078</u>	<u>1,002,064</u>	<u>2,446,038</u>	<u>1,786,490</u>	<u>7,545,564</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	346,414	11,365	29,177	8,420	116,410	511,786
Due to other funds	3,731	150,713	-	-	79,805	234,249
Advances from other funds	469,012	-	-	-	-	469,012
Total Liabilities	<u>819,157</u>	<u>162,078</u>	<u>29,177</u>	<u>8,420</u>	<u>196,215</u>	<u>1,215,047</u>
Fund Balances:						
Reserved for:						
Advances	-	-	-	469,012	-	469,012
Inventory	-	-	-	-	6,424	6,424
Debt service	-	-	-	-	355,596	355,596
Unemployment benefits	-	-	-	-	24,260	24,260
Forestry improvements purposes	-	-	-	-	134,559	134,559
Permanent fund purposes	-	-	-	1,762,728	-	1,762,728
Unreserved:						
Undesignated, reported in:						
General fund	1,329,737	-	-	-	-	1,329,737
Special Revenue funds	-	-	972,887	-	377,831	1,350,718
Capital Projects funds	-	-	-	-	691,605	691,605
Permanent funds	-	-	-	205,878	-	205,878
Total Fund Balances	<u>1,329,737</u>	<u>-</u>	<u>972,887</u>	<u>2,437,618</u>	<u>1,590,275</u>	<u>6,330,517</u>
Total Liabilities and Fund Balances	<u>\$ 2,148,894</u>	<u>\$ 162,078</u>	<u>\$ 1,002,064</u>	<u>\$ 2,446,038</u>	<u>\$ 1,786,490</u>	<u>\$ 7,545,564</u>

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

EAST JASPER SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,330,517
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,295,066.	3,519,798
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,365,544)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(54,352)</u>
Total Net Assets - Governmental Activities	<u>\$ 7,430,419</u>

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

EAST JASPER SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit D

	Major Funds					
	General Fund	Displaced Students Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 2,273,499	\$ -	\$ 38	\$ -	\$ 136,421	\$ 2,409,958
Intermediate sources	-	-	-	-	5,000	5,000
State sources	4,873,096	-	-	-	425,796	5,298,892
Federal sources	102,966	295,522	-	-	1,925,574	2,324,062
Sixteenth section sources	-	-	204,999	236,155	27,039	468,193
Total Revenues	7,249,561	295,522	205,037	236,155	2,519,830	10,506,105
Expenditures:						
Instruction	4,175,096	200,703	-	-	909,928	5,285,727
Support services	3,370,738	84,241	-	-	739,957	4,194,936
Noninstructional services	7,416	-	-	-	621,781	629,197
Sixteenth section	-	-	29,842	8,420	15,469	53,731
Facilities acquisition and construction	-	-	-	-	119,996	119,996
Debt service:						
Principal	12,247	-	-	-	189,210	201,457
Interest	33,924	-	-	-	116,540	150,464
Other	-	-	-	-	562	562
Total Expenditures	7,599,421	284,944	29,842	8,420	2,713,443	10,636,070
Excess (Deficiency) of Revenues Over Expenditures	(349,860)	10,578	175,195	227,735	(193,613)	(129,965)
Other Financing Sources (Uses):						
Proceeds of loans	98,834	-	-	-	-	98,834
Insurance loss recoveries	228,278	-	-	-	-	228,278
Sale of other property	4,500	-	-	-	-	4,500
Other financing sources	15,467	-	-	-	1,883	17,350
Operating transfers in	532,810	-	-	-	1,040,493	1,573,303
Operating transfers out	(1,036,492)	(10,578)	(400,000)	-	(126,233)	(1,573,303)
Total Other Financing Sources (Uses)	(156,603)	(10,578)	(400,000)	-	916,143	348,962
Net Change in Fund Balances	(506,463)	-	(224,805)	227,735	722,530	218,997
Fund Balances:						
July 1, 2005	1,840,201	-	1,200,192	2,209,883	871,375	6,121,651
Prior period adjustments	(4,001)	-	(2,500)	-	-	(6,501)
July 1, 2005, as restated	1,836,200	-	1,197,692	2,209,883	871,375	6,115,150
(Decrease) in reserve for inventory	-	-	-	-	(3,630)	(3,630)
June 30, 2006	\$1,329,737	\$ -	\$ 972,887	\$2,437,618	\$1,590,275	\$ 6,330,517

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

EAST JASPER SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2006

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 218,997
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$317,854 and the depreciation expense amounted to \$259,796.	58,058
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(98,834)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	201,457
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes dues.	6,090
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(3,630)
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>1,108</u>
Change in Net Assets of Governmental Activities	<u>\$ 383,246</u>

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

EAST JASPER SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2006

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 65,397
Total Assets	<u>65,397</u>
Liabilities	
Accounts payable and accrued liabilities	33,671
Due to student clubs	<u>31,726</u>
Total Liabilities	<u>\$ 65,397</u>

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

(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 to which each member was elected by the citizens of each defined county district.

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

The Authority is governed by a board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. (see Note 12)

B. Basis of Presentation.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. 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 Fund 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 flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

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 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.

Displaced Students Fund – This is a special revenue fund that is used to insure proper disbursement of and accounting for Displaced Students revenues received by the district

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

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

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

Additionally, the school district reports the following fund types:

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

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* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

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.

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

I. Capital Assets.

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

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.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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

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

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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.

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

Reserved for forestry improvement purposes – An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

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 retires.

(2) Changes in Accounting Standards.

As required, the East Jasper School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents and Investments.

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,962,535 and \$65,397, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$4,031,520 and restricted assets - \$1,931,015. The restricted assets of \$2,058,983 represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) of \$1,931,015 and the investment balance of the MAEP Debt Retirement Fund (Other Governmental Funds) of \$127,968, which are legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$6,768,268.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of 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. As of June 30, 2006, none of the district's bank balance of \$6,768,268 was exposed to custodial credit risk.

Investments.

As of June 30, 2006, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Bank treasury money market	less than 1	\$ 127,968	AAA
Total Investments		<u>\$ 127,968</u>	

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2006, the district did not have any investments to which this would apply.

(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>
Governmental Funds:		
General fund	\$ 220,915	\$ 3,731
Displaced Students Fund	--	150,713
Other Governmental funds	<u>13,334</u>	<u>79,805</u>
Total	<u>\$ 234,249</u>	<u>\$ 234,249</u>

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

B. Advances To/From Other Funds

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General fund	\$ --	\$ 469,012
16 th Section Principal fund	<u>469,012</u>	<u>--</u>
Total	<u>\$ 469,012</u>	<u>\$ 469,012</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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

Sixteenth section principal loans payable.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 106,443	\$ 26,687	\$ 133,130
2008	36,542	21,700	58,242
2009	38,734	19,508	58,242
2010	41,058	17,184	58,242
2011	43,522	14,720	58,242
2012-2015	<u>202,713</u>	<u>31,153</u>	<u>233,866</u>
Total	<u>\$ 469,012</u>	<u>\$ 130,952</u>	<u>\$ 599,964</u>

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 532,810	\$ 1,036,492
Displaced Students Fund	--	10,578
16 th Section Interest funds	--	400,000
Other Governmental Funds	<u>1,040,493</u>	<u>126,233</u>
Total	<u>\$ 1,573,303</u>	<u>\$ 1,573,303</u>

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(5) Capital Assets.

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

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 1,500
Total non-depreciable capital assets	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
<u>Depreciable capital assets:</u>						
Buildings	4,309,754	-	-	-	-	4,309,754
Building improvements	142,676	-	-	-	-	142,676
Improvements other than buildings	108,609	103,697	-	-	-	212,306
Mobile equipment	1,532,165	167,460	-	-	-	1,699,625
Furniture and equipment	299,106	46,697	-	-	-	345,803
Leased property under capital leases	<u>103,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,200</u>
Total depreciable capital assets	<u>6,495,510</u>	<u>317,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,813,364</u>
<u>Less accumulated depreciation for:</u>						
Buildings	1,843,793	86,195	-	-	-	1,929,988
Building improvements	62,777	5,707	-	-	-	68,484
Improvements other than buildings	26,799	8,492	-	-	-	35,291
Mobile equipment	864,228	124,408	-	-	-	988,636
Furniture and equipment	219,097	25,706	-	-	-	244,803
Leased property under capital lease	<u>18,576</u>	<u>9,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,864</u>
Total accumulated depreciation	<u>3,035,270</u>	<u>259,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,295,066</u>
Total depreciable capital assets, net	<u>3,460,240</u>	<u>58,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,518,298</u>
Governmental activities capital assets, net	<u>\$ 3,461,740</u>	<u>\$ 58,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,519,798</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 101,596
Support services	148,570
Non-instructional	<u>9,630</u>
 Total depreciation expense	 <u>\$ 259,796</u>

(6) Long-term liabilities.

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

	Balance 7-1-2005	Addition	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,915,000	\$ -	\$ 110,000	\$ -	\$ 1,805,000	\$ 115,000
B. Certificates of participation payable	385,011	-	29,210	-	355,801	30,963
C. Three mills note payable	50,000	-	50,000	-	-	-
D. Shortfall notes payable	-	98,834	-	-	98,834	98,834
E. Obligations under capital leases	46,086	-	12,247	-	33,839	12,962
F. Compensated absences payable	<u>73,178</u>	-	<u>1,108</u>	-	<u>72,070</u>	<u>7,207</u>
Total	<u>\$ 2,469,275</u>	<u>\$ 98,834</u>	<u>\$ 202,565</u>	<u>\$ -</u>	<u>\$ 2,365,544</u>	<u>\$ 264,966</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Series 1998	6.5%	1-21-98	1-1-18	<u>\$ 2,470,000</u>	<u>\$ 1,805,000</u>

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 115,000	\$ 86,660	\$ 201,660
2008	120,000	81,600	201,600
2009	125,000	76,200	201,200
2010	130,000	70,575	200,575
2011	140,000	64,595	204,595
2012-2016	795,000	216,965	1,011,965
2017-2019	<u>380,000</u>	<u>28,750</u>	<u>408,750</u>
Total	<u>\$ 1,805,000</u>	<u>\$ 625,345</u>	<u>\$ 2,430,345</u>

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

B. Certificates of participation payable.

As more fully explained in Note (12), certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation	6.0%	7-7-94	7-7-14	<u>\$ 600,000</u>	<u>\$ 355,801</u>

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 30,963	\$ 20,419	\$ 51,382
2008	32,820	18,506	51,326
2009	34,790	16,477	51,267
2010	36,877	14,327	51,204
2011	39,090	12,048	51,138
2012-2015	<u>181,261</u>	<u>22,544</u>	<u>203,805</u>
Total	<u>\$ 355,801</u>	<u>\$ 104,321</u>	<u>\$ 460,122</u>

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

C. Three mill notes payable.

This debt was retired from the Series 1995 Notes Debt Service Fund during the current year.

D. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Shortfall note, Series 2006	5.8%	10-13-06	11-10-06	<u>\$ 98,834</u>	<u>\$ 98,834</u>

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

Year Ending June 30	Principal	Interest	Total
2007	<u>\$ 98,834</u>	<u>\$ 430</u>	<u>\$ 99,264</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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

E. Obligations under capital leases.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 12,962	\$ 1,765	\$ 14,727
2008	13,719	1,008	14,727
2009	<u>7,158</u>	<u>206</u>	<u>7,364</u>
Total	<u>\$ 33,839</u>	<u>\$ 2,979</u>	<u>\$ 36,818</u>

This debt will be retired from the District Maintenance Fund.

F. 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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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 10.75% 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, 2006, 2005 and 2004 were \$578,442, \$484,274 and \$402,927, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

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

Lease expenditures for the year ended June 30, 2006, amounted to \$4,608. Future lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 4,608
2008	<u>1,152</u>
Total	<u>\$ 5,760</u>

(9) Sixteenth Section Lands.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

Year Ending <u>June 30</u>	<u>Amount</u>
2007	\$ 27,657
2008	27,657
2009	27,657
2010	27,657
2011	27,632
2012-2016	36,157
2017-2021	34,995
2022-2026	33,472
2027-2031	8,667
Thereafter	<u>4,318</u>
 Total	 <u>\$ 255,869</u>

(10) Prior Period Adjustments/Exhibits.

A summary of fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanations</u>	<u>Amount</u>
An adjustment to correct beginning fund balance.	<u>\$ (6,501)</u>

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

Major Fund	Explanation	Amount
General Fund	An adjustment to correct beginning fund balance.	\$ (4,001)
16 th Section Interest Fund	An adjustment to correct beginning fund balance.	<u>(2,500)</u>
	Total	<u>\$ (6,501)</u>

(11) Risk Management.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

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 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, 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.

(12) Trust Certificates.

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

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

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

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity,

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

EAST JASPER SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,437,724	\$ 2,575,331	\$ 2,273,499	\$ 137,607	\$ (301,832)
State sources	4,824,795	4,873,096	4,873,096	48,301	-
Federal sources	-	102,966	102,966	102,966	-
Total Revenues	7,262,519	7,551,393	7,249,561	288,874	(301,832)
Expenditures:					
Instruction	4,444,306	4,178,816	4,175,096	265,490	3,720
Support services	3,677,827	3,433,819	3,370,738	244,008	63,081
Noninstructional services	7,980	7,416	7,416	564	-
Debt service:					
Principal	12,247	12,247	12,247	-	-
Interest	33,924	33,924	33,924	-	-
Total Expenditures	8,176,284	7,666,222	7,599,421	510,062	66,801
Excess (Deficiency) of Revenues Over Expenditures	(913,765)	(114,829)	(349,860)	798,936	(235,031)
Other Financing Sources (Uses):					
Proceeds of loans	-	98,834	98,834	98,834	-
Insurance loss recoveries	-	228,278	228,278	228,278	-
Sale of other property	-	4,500	4,500	4,500	-
Operating transfers in	143,496	532,810	532,810	389,314	-
Other financing sources	-	14,943	15,467	14,943	524
Operating transfers out	(262,000)	(1,036,492)	(1,036,492)	(774,492)	-
Total Other Financing Sources (Uses)	(118,504)	(157,127)	(156,603)	(38,623)	524
Net Change in Fund Balances	(1,032,269)	(271,956)	(506,463)	760,313	(234,507)
Fund Balances:					
July 1, 2005	1,557,556	1,836,200	1,840,201	278,644	4,001
Prior period adjustments	-	-	(4,001)	-	(4,001)
July 1, 2005, as restated	1,557,556	1,836,200	1,836,200	278,644	-
June 30, 2006	\$ 525,287	\$ 1,564,244	\$ 1,329,737	\$ 1,038,957	\$ (234,507)

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

EAST JASPER SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Displaced Students Fund
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$ -	\$ 295,522	\$ 295,522	\$ 295,522	\$ -
Total Revenues	-	295,522	295,522	295,522	-
Expenditures:					
Instruction	-	200,703	200,703	(200,703)	-
Support services	-	84,241	84,241	(84,241)	-
Total Expenditures	-	284,944	284,944	(284,944)	-
Excess (Deficiency) of Revenues Over Expenditures	-	10,578	10,578	10,578	-
Other Financing Sources (Uses):					
Operating transfers out	-	(10,578)	(10,578)	(10,578)	-
Total Other Financing Sources (Uses)	-	(10,578)	(10,578)	(10,578)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2005	-	-	-	-	-
Prior period adjustments	-	-	-	-	-
July 1, 2005, as restated	-	-	-	-	-
June 30, 2006	\$ -	\$ -	\$ -	\$ -	\$ -

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

EAST JASPER SCHOOL DISTRICT
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 38	\$ 38	\$ 38	\$ -
Sixteenth section sources	<u>226,030</u>	<u>204,949</u>	<u>204,999</u>	<u>(21,081)</u>	<u>50</u>
Total Revenues	<u>226,030</u>	<u>204,987</u>	<u>205,037</u>	<u>(21,043)</u>	<u>50</u>
Expenditures:					
Sixteenth section	<u>10,126</u>	<u>29,842</u>	<u>29,842</u>	<u>(19,716)</u>	<u>-</u>
Total Expenditures	<u>10,126</u>	<u>29,842</u>	<u>29,842</u>	<u>(19,716)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>215,904</u>	<u>175,145</u>	<u>175,195</u>	<u>(40,759)</u>	<u>50</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>215,904</u>	<u>(224,855)</u>	<u>(224,805)</u>	<u>(440,759)</u>	<u>50</u>
Fund Balances:					
July 1, 2005	1,195,528	1,200,192	1,200,192	4,664	-
Prior period adjustments	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>-</u>
July 1, 2005, as restated	<u>1,195,528</u>	<u>1,197,692</u>	<u>1,197,692</u>	<u>2,164</u>	<u>-</u>
June 30, 2006	<u>\$ 1,411,432</u>	<u>\$ 972,837</u>	<u>\$ 972,887</u>	<u>\$ (438,595)</u>	<u>\$ 50</u>

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

EAST JASPER SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

(3) Individual Fund Disclosures.

Individual funds that have an excess of expenditures over budget, including amounts of the excess, are as follows:

<u>Individual Fund</u>	<u>Amount</u>
Special Revenue:	
School Food Service	\$ 34,460
FEMA/MEMA Grants	15,541

The funds with an excess of expenditures over budget are not in violation of state law since the excesses resulted from auditor's adjustments.

EAST JASPER SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

EAST JASPER SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2006

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Fed. Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 36,260
Child nutrition cluster:		
School breakfast program	10.553	212,162
National school lunch program	10.555	339,961
Total child nutrition cluster		<u>552,123</u>
 Total U.S. Department of Agriculture		 <u>588,383</u>
<u>U.S. Department of Homeland Security</u>		
Direct program:		
Disaster grants - public assistance (Presidentially declared disasters)	97.036	15,541
Total U.S. Department of Homeland Security		<u>15,541</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the universal service fund	32.xxx	106,574
Total Federal Communications Commission		<u>106,574</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	565,319
Safe and drug-free schools and communities - state grants	84.186	12,711
Eisenhower professional development state grants	84.281	79,877
State grants for innovative programs	84.298	1,230
Education technology state grants	84.318	13,754
Reading first state grants	84.357	284,082
Rural education	84.358	51,834
Improving teacher quality state grants	84.367	63,081
Grants for state assessments and related activities	84.369	7,150
Hurricane education recovery - emergency impact aid	84.938	295,522
Total		<u>1,374,560</u>
Special education cluster:		
Special education - grants to states	84.027	206,329
Special education - preschool grants	84.173	9,907
Total special education cluster		<u>216,236</u>
 Total passed-through Mississippi Department of Education		 <u>1,590,796</u>
 Total U.S. Department of Education		 <u>1,590,796</u>
 Total for All Federal Awards		 <u>\$ 2,301,294</u>

EAST JASPER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Notes to schedule

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

EAST JASPER SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,232,601	\$ 5,178,749	\$ 553,533	\$ 417,952	\$ 1,082,367
Other	<u>3,403,469</u>	<u>1,242,743</u>	<u>178,440</u>	<u>38,969</u>	<u>1,943,317</u>
Total	\$ 10,636,070	\$ 6,421,492	\$ 731,973	\$ 456,921	\$ 3,025,684
Total number of students	<u>1,114</u>				
Cost per student	<u>\$ 9,547</u>	<u>\$ 5,764</u>	<u>\$ 657</u>	<u>\$ 410</u>	<u>\$ 2,716</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

EAST JASPER SCHOOL DISTRICT

COMPLIANCE AND INTERNAL CONTROL

EAST JASPER SCHOOL DISTRICT

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

Superintendent and School Board
East Jasper School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2006, which collectively comprise the East Jasper School District's basic financial statements and have issued our report thereon dated January 24, 2007. 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 opinions 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 judgment, could adversely affect the school district's ability to initiate, 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 06-01, 06-02 and 06-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and,

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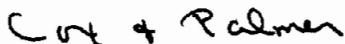
East Jasper School District
Report on Compliance and Internal Controls

accordingly, would not necessarily 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matters that we have reported to management of the school district in a separate letter dated January 24, 2007, 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 record and its distribution is not limited.



Cox & Palmer
January 24, 2007

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

Superintendent and School Board
East Jasper School District

Compliance

We have audited the compliance of the East Jasper School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, East Jasper School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

MEMBER

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East Jasper School District
Report on Compliance and Internal Controls

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We 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 record and its distribution is not limited.

Cox & Palmer

Cox & Palmer
January 24, 2007

EAST JASPER SCHOOL DISTRICT

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

EAST JASPER SCHOOL DISTRICT

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

Superintendent and School Board
East Jasper School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2006, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated January 24, 2007. 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 \$32,315 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding

In our review of the purchasing procedure, the following items were noted:

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East Jasper School District
Reports on State Laws and Regulations

- a. Purchase order no. 602143, to Pine Belt Concrete in the amount of \$4,062, appeared to have had one of the quotes changed. The price charged did not agree to the changed quote.
- b. Purchase order no. 602144, to Sherwin Williams in the amount of \$6,307.57, has a date on one of the quotes that does not agree with the time frame involved.

Recommendation

Proper purchasing procedure should always be followed.

School District's Response

- a. This is not the practice of East Jasper School District. Necessary steps will be performed through staff development in order that proper purchasing procedure are adhered to at all times.
- b. The quote that is in question, the vendor verified that she signed the quote on June 12th and apologized for signing the wrong date of June 9, 2006. The purchase order was printed on June 9, 2006, however, the district did not use this purchase order until June 19, 2006, after securing the appropriate two quotes. We will comply with the auditor's recommendation by following proper purchasing procedures at all times.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding 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 record and its distribution is not limited.

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Cox & Palmer
January 24, 2007

EAST JASPER SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|--------------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | <u>Unqualified</u> |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | <u>No</u> |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | <u>No</u> |
| 6. | Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133? | <u>No</u> |
| 7. | Federal programs identified as major programs: | |
| a. | Child Nutrition Cluster
CFDA #10.533 School Breakfast Program
CFDA #10.555 National School Lunch Program | |
| b. | Hurricane Education Recovery – Emergency Impact Aid
CFDA #84.938 | |

East Jasper School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

- | | | |
|-----|--|------------------|
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| 9. | Auditee qualified as a low-risk auditee? | <u>Yes</u> |
| 10. | Prior fiscal year audit 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? | <u>No</u> |

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses

06-01 Finding

In the Payroll Clearing Fund, \$145,514.46 of accrued benefits were recorded twice. Cash was overstated by the same amount.

Recommendation

Close attention to the bank reconciliation should prevent this problem from occurring in the future.

06-02 Finding

A deposit dated June 12, 2006 in the amount of \$15,541.19 from FEMA was not recorded on the books.

Recommendation

Funds should be recorded when received

06-03 Finding

Two capital assets, "Poly Camcorders", were not included on the District's Fixed Assets Addition Listing. One was dated August 2006, instead of August 2005.

During the Department of Audit's physical inspection of fixed assets, the District could not account for fifteen missing items. This matter was resolved after the close of the year by the Office of the State Auditor.

East Jasper School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Recommendation

Policy should be followed concerning the acquisition and disposal of fixed assets.

Section 3: Federal Award Findings and Questioned Costs

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

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

EAST JASPER SCHOOL DISTRICT

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East Jasper School District
Administrative Offices



Financial & Compliance Audit Division

As required by Section __.15(c) of OMB Circular A-133, the East 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, 2006

Finding Corrective Action Plan Details

06-01 a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Gwendolyn Taylor
Title: Director of Finance
Phone: 601-787-3281

b. Corrective Action Planned:

There was a glitch in the year-end close procedures and accrued benefits were recorded twice in the agency fund. We will comply with the auditor's recommendation and be more attentive to the bank reconciliations to prevent this from happening again.

c. Anticipated Completion Date:

On going.

06-02 a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Gwendolyn Taylor
Title: Director of Finance
Phone: 601-787-3281

b. Corrective Action Planned:

This amount was received, however, due to change in management the documentation supporting this amount was not recognized until October 2006. An adjusting entry was made to record these funds in the proper period. We will comply with the auditor's recommendation of recording funds when received.

Financial & Compliance Audit Division

c. Anticipated Completion Date:

On going.

06-03

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Gwendolyn Taylor

Title: Director of Finance

Phone: 601-787-3281

Name: Mrs. Gloria Pugh

Title: Fixed Assets Manager

Phone: 601-787-3281

Name: William J. Berry Elementary School

Title: Fixed Assets Committee

Phone: 601-787-3281

Name: Heidelberg High School

Title: Fixed Assets Committee

Phone: 601-787-3281

b. Corrective Action Planned:

Communication received from the technology coordinator, the "Poly Com" that is in question was actually an up-grade instead of a new purchase.

The District is in the process of re-evaluating the internal controls concerning fixed assets and will comply with the recommendation of the auditor's concerning the acquisition and disposal of fixed assets.

c. Anticipated Completion Date:

On going.