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EAST JASPER SCHOOL DISTRICT

**Audited Financial Statements
For the Fiscal Year Ended June 30, 2007**

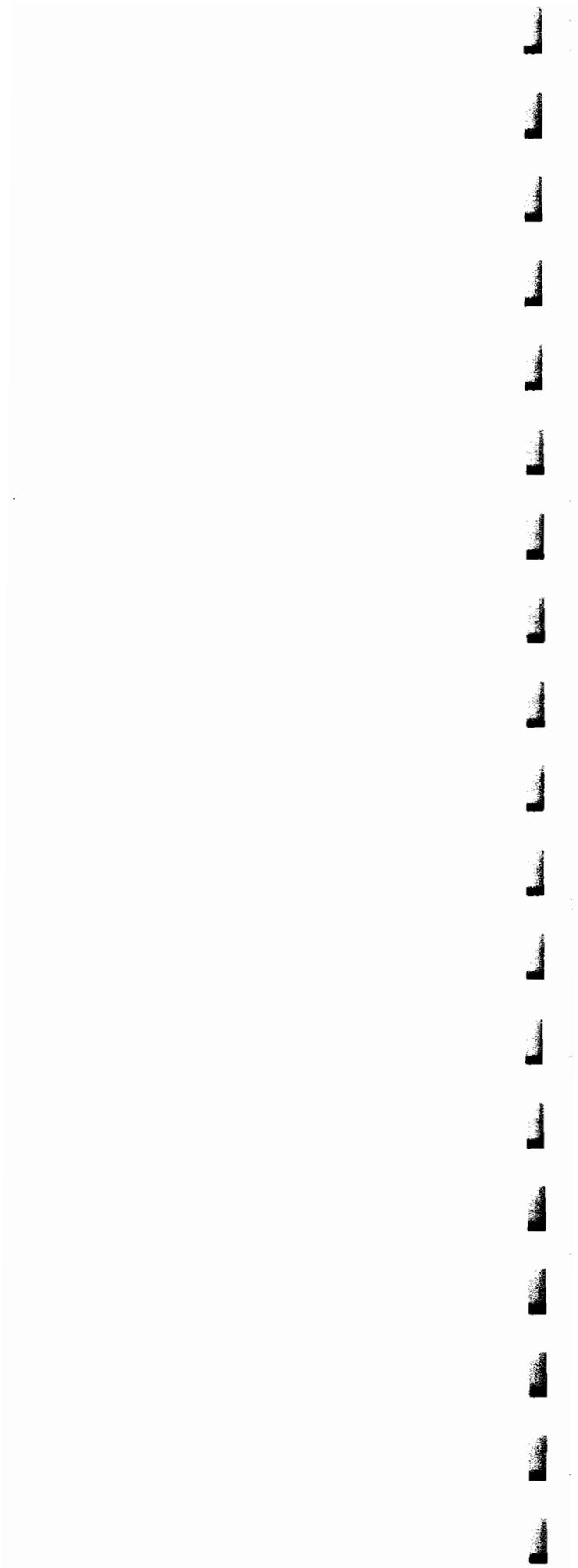
**Cox & Palmer
Certified Public Accountants**



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, 2007, 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, 2007, 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 August 6, 2008, 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

MEMBER

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

East Jasper School District
Independent Auditor's Report

opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 51 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
August 6, 2008

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, 2007

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, 2007. 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 and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$137,523, which represents a 2% decrease from fiscal year 2006.
- General revenues accounted for \$8,264,112 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,565,991, or 24% of total revenues.
- The District had \$10,967,626 in expenses; only \$2,565,991 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,264,112 and beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,719,446 in revenues and \$8,182,792 in expenditures. After net other financing sources of \$136,747, the net change in fund balance for the General Fund was a decrease of \$326,599 from the previous fiscal year. This decrease in fund balance is due primarily to an increase in instructional expenditures from the previous fiscal year, specifically an increase in salary related expenditures.
- Capital assets, net of accumulated depreciation, decreased by \$38,822.
- Long-term debt decreased by \$159,657.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar

EAST JASPER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

EAST JASPER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is also included in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,292,896 as of June 30, 2007.

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. \$1,345,261 of the District's net assets (18%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$5,014,669 of the District's net assets (69%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry

EAST JASPER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$932,966 of the District's net assets (13%) reflects its unrestricted net assets.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	Net Assets		Percentage
	June 30, 2007	June 30, 2006	Change
Current assets	\$ 3,950,352	\$ 4,783,320	(17.4)%
Other assets	2,289,647	2,058,983	11.2%
Capital assets, net	3,480,976	3,519,798	(1.1)%
Total assets	9,720,975	10,362,101	(6.2)%
Current liabilities	222,192	566,138	(60.8)%
Long-term debt outstanding	2,205,887	2,365,544	(6.8)%
Total liabilities	2,428,079	2,931,682	(17.2)%
Net assets:			
Invested in capital assets, net of related debt	1,345,261	1,325,158	1.5%
Restricted	5,014,669	4,946,428	1.4%
Unrestricted	932,966	1,158,833	(19.5)%
Total net assets	\$ 7,292,896	\$ 7,430,419	(1.9)%

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

- Current assets decreased from the previous fiscal year due primarily to a decrease in cash and cash equivalents and amounts due from other governments. In the previous fiscal year, the District recorded amounts due from the federal government resulting from Hurricane Katrina. These funds were used for the repair and maintenance of school facilities and the instruction of students displaced by the hurricane.
- Other assets increased from the previous fiscal year due primarily to the increase in cash and cash equivalents and investments in the Sixteenth Section Principal Fund and the MAEP Retirement Fund. These funds are legally restricted and may not be used for purposes that support the District's programs. Therefore, these amounts are reported as other (restricted) assets in the government-wide financial statements.

EAST JASPER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on long-term debt.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the decrease in fund balance of the General Fund.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$10,830,103. The total cost of all programs and services was \$10,967,626. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 188,865	\$ 213,153	(11.4)%
Operating grants and contributions	2,377,126	2,399,235	(1.0)%
General revenues:			
Property taxes	2,092,906	1,800,865	16.2%
Grants and contributions not restricted	5,413,330	5,223,719	3.6%
Other	<u>757,876</u>	<u>1,119,261</u>	(32.2)%
Total revenues	<u>10,830,103</u>	<u>10,756,233</u>	0.7%
Expenses:			
Instruction	5,694,081	5,378,103	5.9%
Support services	4,341,968	4,153,871	4.5%
Non-instructional	738,559	642,346	15.0%
Sixteenth section	50,747	53,731	(5.6)%
Interest and other expenses on long-term liabilities	<u>142,271</u>	<u>144,936</u>	(1.9)%
Total expenses	<u>10,967,626</u>	<u>10,372,987</u>	5.7%
Increase (Decrease) in net assets	(137,523)	383,246	
Net Assets, July 1	7,430,419	7,053,674	5.3%
Prior Period Adjustments	<u>-</u>	<u>(6,501)</u>	
Net Assets, Restated, July 1	<u>7,430,419</u>	<u>7,047,173</u>	5.4%
Net Assets, June 30	<u>\$ 7,292,896</u>	<u>\$ 7,430,419</u>	(1.9)%

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

**EAST JASPER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

- General revenues increased from the previous fiscal year due primarily to an increase in taxes and unrestricted state grants and contributions.
- Instruction and support services expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006, 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>2007</u>		<u>2006</u>	
	Total	Net (Expense)	Total	Net (Expense)
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
Instruction	\$ 5,694,081	\$ (4,440,729)	\$ 5,378,103	\$ (4,194,636)
Support services	4,341,968	(3,801,155)	4,153,871	(3,445,420)
Non-instructional	738,559	33,106	642,346	53,993
Sixteenth section	50,747	(50,586)	53,731	(29,600)
Interest and other expenses on long-term liabilities	<u>142,271</u>	<u>(142,271)</u>	<u>144,936</u>	<u>(144,936)</u>
Total expenses	<u>\$ 10,967,626</u>	<u>\$ (8,401,635)</u>	<u>\$ 10,372,987</u>	<u>\$ (7,760,599)</u>

- The net cost of governmental activities for fiscal year 2007 in the amount of \$8,401,635 was financed primarily by general revenue, which is made up of primarily property taxes of \$2,092,906 and state revenue of \$5,331,086.
- Investment earnings accounted for \$231,868 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2007, its governmental funds reported a combined fund balance of \$6,036,277. The net change in fund balance for the fiscal year was a decrease of

EAST JASPER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

\$294,412 due primarily to an increase in instructional expenditures from the previous fiscal year, specifically an increase in salary related expenditures.

\$3,309,205 or 55%, 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 unreserved, undesignated fund balance reported in the Capital Projects Funds is a result of transfers from governmental funds and will be used for capital improvements. The portion of the unreserved, undesignated fund balance reported in the Permanent Funds represents earnings on sixteenth section investments that have not been transferred to the Sixteenth Section Interest Fund as of the year end.

The remaining fund balance of \$2,727,072 or 45%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of \$326,599 due primarily to an increase in instructional expenditures from the previous fiscal year, specifically an increase in salary related expenditures. The net change in fund balance for the Sixteenth Section Interest Fund for the fiscal year was an increase of \$54,259 due primarily to revenue generated from sixteenth section leases and earnings on investments. The net change in fund balance for the Building Project Fund for the fiscal year was an increase of \$30,359 due primarily to transfers from other governmental funds to be used for the renovation and/or construction of school facilities. The net change in fund balance for the Sixteenth Section Principal Fund for the fiscal year was an increase of \$219,326 due primarily to revenue received 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 a decrease of \$271,757 due primarily to the deficiency of revenues over expenditures in various funds, specifically several debt service funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. The budget revisions made during the fiscal year were considered routine and were not significant when compared to overall revenues and expenditures.

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

EAST JASPER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets, before depreciation, were \$6,795,976, including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross decrease of \$18,888 from the previous year. During the fiscal year, the District incurred expenditures related to architect fees for future construction projects, acquired two FEMA trailers, and purchased various items of mobile equipment and furniture and equipment. The District also disposed of eleven buses and several items of furniture and equipment. Total depreciation expense for the year was \$260,367. Total accumulated depreciation as of June 30, 2007 was \$3,315,000, resulting in total net capital assets of \$3,480,976.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 1,500	\$ 1,500	0.0 %
Construction in progress	37,326	-	
Buildings	2,426,770	2,379,766	2.0 %
Building improvements	68,485	74,192	(7.7) %
Improvements other than buildings	168,522	177,015	(4.8) %
Mobile equipment	630,601	710,989	(11.3) %
Furniture and equipment	81,724	101,000	(19.1) %
Leased property under capital leases	66,048	75,336	(12.3) %
Total	<u>\$ 3,480,976</u>	<u>\$ 3,519,798</u>	(1.1) %

Debt Administration. At June 30, 2007, the District had \$2,205,887 in limited obligation bonds and other long-term debt outstanding, of which \$167,557 is due within one year. During the fiscal year, the District refunded the current limited obligation bonds payable and made principal payments in the amount of \$142,759 on other long-term debt.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Limited obligation bonds payable	\$ 1,790,000	\$ 1,805,000	(0.8) %
Certificates of participation payable	324,838	355,801	(8.7) %
Shortfall notes payable	-	98,834	(100.0) %
Obligations under capital leases	20,877	33,839	(38.3) %
Compensated absences payable	70,172	72,070	(2.6) %
Total	<u>\$ 2,205,887</u>	<u>\$ 2,365,544</u>	(6.7) %

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. In addition, 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.

**EAST JASPER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

EAST JASPER SCHOOL DISTRICT

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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, 2007

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,609,879
Investments	1,776,191
Due from other governments	469,139
Accrued interest receivable	88,547
Inventories	6,596
Deferred charges	20,130
Restricted assets	2,269,517
Capital assets, non-depreciable:	
Land	1,500
Construction in progress	37,326
Capital assets, net of accumulated depreciation:	
Buildings	2,426,770
Building improvements	68,485
Improvements other than buildings	168,522
Mobile equipment	630,601
Furniture and equipment	81,724
Leased property under capital leases	66,048
Total Assets	<u>9,720,975</u>
Liabilities	
Accounts payable and accrued liabilities	180,074
Due to other governments	2,738
Unearned revenue	780
Interest payable on long-term liabilities	38,600
Long-term liabilities, due within one year	
Capital related liabilities	160,540
Non-capital related liabilities	7,017
Long-term liabilities, due beyond one year	
Capital related liabilities	1,975,175
Non-capital related liabilities	63,155
Total Liabilities	<u>2,428,079</u>
Net Assets	
Invested in capital assets, net of related debt	1,345,261
Restricted net assets:	
Expendable:	
School - based activities	1,383,983
Debt service	104,164
Capital improvements	721,964
Forestry improvements	122,758
Unemployment benefits	24,856
Non-expendable:	
Sixteenth section	2,656,944
Unrestricted	932,966
Total Net Assets	<u>\$ 7,292,896</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, 2007

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction	\$ 5,694,081	\$ 86,497	\$1,166,855	\$ -	\$ (4,440,729)
Support services	4,341,968	-	540,813	-	(3,801,155)
Non-instructional	738,559	102,207	669,458	-	33,106
Sixteenth section	50,747	161	-	-	(50,586)
Interest and other expenses on long-term liabilities	142,271	-	-	-	(142,271)
Total Governmental Activities	\$10,967,626	\$ 188,865	\$2,377,126	\$ -	(8,401,635)

General Revenues:

Taxes:

General purpose levies 2,084,812

Debt purpose levies 8,094

Unrestricted grants and contributions:

State 5,331,086

Federal 82,244

Unrestricted investment earnings 231,868

Sixteenth section sources 152,446

Other 373,562

Total General Revenues 8,264,112

Change in Net Assets (137,523)

Net Assets - Beginning 7,430,419

Net Assets - Ending \$ 7,292,896

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

EAST JASPER SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2007

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	16th Section Interest Fund	Building Project Fund	16th Section Principal Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 419,391	\$ 155,326	\$ 721,964	\$ 511,511	\$ 313,198	\$ 2,121,390
Investments	735,745	854,733	-	1,738,077	205,642	3,534,197
Due from other governments	155,786	915	-	11,077	286,396	454,174
Accrued interest receivable	22,173	23,980	-	39,957	2,437	88,547
Due from other funds	139,063	1,455	-	-	36,387	176,905
Advance to other funds	-	-	-	362,569	-	362,569
Inventories and prepaid items	-	-	-	-	6,596	6,596
Total Assets	1,472,158	1,036,409	721,964	2,663,191	850,656	6,744,378
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	82,815	7,808	-	6,247	83,204	180,074
Due to other funds	23,636	1,455	-	-	139,587	164,678
Advances from other funds	362,569	-	-	-	-	362,569
Deferred revenue	-	-	-	-	780	780
Total Liabilities	469,020	9,263	-	6,247	223,571	708,101
Fund Balances:						
Reserved for:						
Advances	-	-	-	362,569	-	362,569
Inventory	-	-	-	-	6,596	6,596
Capital Projects	-	-	94,674	-	-	94,674
Debt service	-	-	-	-	122,634	122,634
Unemployment benefits	-	-	-	-	24,856	24,856
Forestry improvements purposes	-	-	-	-	122,758	122,758
Permanent fund purposes	-	-	-	1,992,985	-	1,992,985
Unreserved:						
Undesignated, reported in:						
General fund	1,003,138	-	-	-	-	1,003,138
Special Revenue funds	-	1,027,146	-	-	350,241	1,377,387
Capital Projects funds	-	-	627,290	-	-	627,290
Permanent funds	-	-	-	301,390	-	301,390
Total Fund Balances	1,003,138	1,027,146	721,964	2,656,944	627,085	6,036,277
Total Liabilities and Fund Balances	\$ 1,472,158	\$ 1,036,409	\$ 721,964	\$ 2,663,191	\$ 850,656	\$ 6,744,378

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, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,036,277
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 \$3,315,000.	3,480,976
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,205,887)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(38,600)
4. Governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	<u>20,130</u>
Total Net Assets - Governmental Activities	<u>\$ 7,292,896</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, 2007

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	16th Section Interest Fund	Building Project Fund	16th Section Principal Fund	Other Governmental Funds	
Revenues:						
Local sources	\$2,600,849	\$ -	\$ -	\$ -	\$ 97,489	\$ 2,698,338
State sources	5,044,401	-	-	-	404,737	5,449,138
Federal sources	74,196	-	-	-	2,131,204	2,205,400
Sixteenth section sources	-	65,991	-	225,573	4,555	296,119
Total Revenues	7,719,446	65,991	-	225,573	2,637,985	10,648,995
Expenditures:						
Instruction	4,522,193	-	-	-	1,071,525	5,593,718
Support services	3,586,200	-	-	-	660,656	4,246,856
Noninstructional services	16,573	-	-	-	712,623	729,196
Sixteenth section	16,412	11,732	-	6,247	16,356	50,747
Facilities acquisition and construction	-	-	4,769	-	32,557	37,326
Debt service:						
Principal	12,962	-	-	-	129,797	142,759
Interest	28,452	-	-	-	73,053	101,505
Advance refunding escrow	-	-	-	-	91,000	91,000
Other	-	-	-	-	20,778	20,778
Total Expenditures	8,182,792	11,732	4,769	6,247	2,808,345	11,013,885
Excess (Deficiency) of Revenues Over Expenditures	(463,346)	54,259	(4,769)	219,326	(170,360)	(364,890)
Other Financing Sources (Uses):						
Proceeds of refunding bonds	-	-	-	-	1,790,000	1,790,000
Insurance loss recoveries	5,095	-	-	-	-	5,095
Sale of other property	5,158	-	-	-	-	5,158
Operating transfers in	406,233	-	35,128	-	390,307	831,668
Other financing sources	40,095	-	-	-	-	40,095
Operating transfers out	(319,834)	-	-	-	(511,834)	(831,668)
Payment to refunded bond escrow agent	-	-	-	-	(1,769,870)	(1,769,870)
Total Other Financing Sources (Uses)	136,747	-	35,128	-	(101,397)	70,478
Net Change in Fund Balances	(326,599)	54,259	30,359	219,326	(271,757)	(294,412)
Fund Balances:						
July 1, 2006	1,329,737	972,887	691,605	2,437,618	898,670	6,330,517
Increase in reserve for inventory	-	-	-	-	172	172
June 30, 2007	\$1,003,138	\$1,027,146	\$ 721,964	\$2,656,944	\$ 627,085	\$ 6,036,277

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, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (294,412)
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 \$246,810 and the depreciation expense amounted to \$260,367.	(13,557)
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.	(1,790,000)
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.	142,759
4. The refunding of debt is reported as a reduction of current financial resources in the governmental funds, but the refunding decreases long-term liabilities in the Statement of Net Assets.	1,805,000
5. 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.	15,752
6. Governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	20,130
7. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(25,265)
8. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	172
9. 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>1,898</u>
Change in Net Assets of Governmental Activities	<u>\$ (137,523)</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, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 567,694
Due from other funds	<u>2,738</u>
Total Assets	<u>570,432</u>
Liabilities	
Accounts payable and accrued liabilities	552,447
Due to other funds	14,965
Due to student clubs	<u>3,020</u>
Total Liabilities	<u>\$ 570,432</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, 2007

(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 10)

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, 2007

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, 2007

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.

Building Project Fund – This is a capital projects fund that is used to account for financial resources to be used for the construction and renovation of capital facilities.

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, 2007

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, 2003* 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, 2007

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of three 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 three 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, 2007

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. 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 5 for details.

K. Interfund Transactions and Balances.

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

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

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

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.

Unreserved, undesignated – An account that represents the portion of fund balance that is expendable available financial resources.

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, 2007

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) 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 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.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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 \$2,121,390 and \$567,694, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$1,609,879 and restricted assets - \$511,511. The restricted assets of \$2,269,517 represent the cash balance and investment balance of the Sixteenth Section Principal Fund (Permanent Fund) of \$511,511 and \$1,738,077, respectively, and the investment balance of the MAEP Debt Retirement Fund (Other Governmental Funds) of \$19,929, which are legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$3,052,030.

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, 2007, none of the district's bank balance of \$3,052,030 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of Deposits	1 year	\$ 3,514,268	N/A
Hancock Bank treasury money market	less than 1	<u>19,929</u>	AAA
Total Investments		<u>\$ 3,534,197</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.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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, 2007, the district did not have any investments to which this would apply.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 139,063	\$ 23,636
16 th Section Interest Fund	1,455	1,455
Other Governmental funds	<u>36,387</u>	<u>139,587</u>
Total	<u>176,905</u>	<u>164,678</u>
Fiduciary Funds:	<u>2,738</u>	<u>14,965</u>
Total	<u>\$ 179,643</u>	<u>\$ 179,643</u>

The more significant interfund loans were to eliminate deficit cash balances in certain programs as part of normal year end closing adjustments.

B. Advances To/From Other Funds

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General fund	\$ --	\$ 362,569
16 th Section Principal fund	<u>362,569</u>	<u>--</u>
Total	<u>\$ 362,569</u>	<u>\$ 362,569</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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>
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	46,133	12,109	58,242
2013-2015	<u>156,580</u>	<u>19,044</u>	<u>175,624</u>
Total	<u>\$ 362,569</u>	<u>\$ 104,265</u>	<u>\$ 466,834</u>

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 406,233	\$ 319,834
Building Project Fund	35,128	--
Other Governmental Funds	<u>390,307</u>	<u>511,834</u>
Total	<u>\$ 831,668</u>	<u>\$ 831,668</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, 2007

(4) Capital Assets.

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

	Balance 7-1-2006	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2007
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 1,500
Construction in progress	-	37,326	-	-	-	37,326
Total non-depreciable capital assets	1,500	37,326	-	-	-	38,826
<u>Depreciable capital assets:</u>						
Buildings	4,309,754	135,918	-	-	-	4,445,672
Building improvements	142,676	-	-	-	-	142,676
Improvements other than buildings	212,306	-	-	-	-	212,306
Mobile equipment	1,699,625	68,086	251,196	-	-	1,516,515
Furniture and equipment	345,803	5,480	14,502	-	-	336,781
Leased property under capital leases	103,200	-	-	-	-	103,200
Total depreciable capital assets	6,813,364	209,484	265,698	-	-	6,757,150
<u>Less accumulated depreciation for:</u>						
Buildings	1,929,988	88,914	-	-	-	2,018,902
Building improvements	68,484	5,707	-	-	-	74,191
Improvements other than buildings	35,291	8,493	-	-	-	43,784
Mobile equipment	988,636	123,354	226,076	-	-	885,914
Furniture and equipment	244,803	24,611	14,357	-	-	255,057
Leased property under capital lease	27,864	9,288	-	-	-	37,152
Total accumulated depreciation	3,295,066	260,367	240,433	-	-	3,315,000
Total depreciable capital assets, net	3,518,298	(50,883)	25,265	-	-	3,442,150
Governmental activities capital assets, net	\$ 3,519,798	\$ (13,557)	\$ 25,265	\$ -	\$ -	\$ 3,480,976

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 101,597
Support services	149,140
Non-instructional	<u>9,630</u>
Total depreciation expense	<u>\$ 260,367</u>

Commitments under construction contracts at June 30, 2007, are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
OCR Renovations	<u>\$ 94,674</u>	<u>\$ -</u>

(5) Long-term liabilities.

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

	Balance 7-1-2006	Addition	Reductions	Adjustments	Balance 6-30-2007	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,805,000	\$ 1,790,000	\$ -	\$(1,805,000)	\$ 1,790,000	\$ 114,000
B. Certificates of participation payable	355,801	-	30,963	-	324,838	32,820
C. Shortfall notes payable	98,834	-	98,834	-	-	-
D. Obligations under capital leases	33,839	-	12,962	-	20,877	13,720
E. Compensated absences payable	<u>72,070</u>	-	<u>1,898</u>	-	<u>70,172</u>	<u>7,017</u>
Total	<u>\$ 2,365,544</u>	<u>\$ 1,790,000</u>	<u>\$ 144,657</u>	<u>\$(1,805,000)</u>	<u>\$ 2,205,887</u>	<u>\$ 167,557</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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, refunding bond, series 2006	3.88%	12-15-06	2-1-18	<u>\$ 1,790,000</u>	<u>\$ 1,790,000</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 114,000	\$ 69,452	\$ 183,452
2009	140,000	65,029	205,029
2010	145,000	59,597	204,597
2011	151,000	53,971	204,971
2012	157,000	48,112	205,112
2013-2017	878,000	144,491	1,022,491
2018	<u>205,000</u>	<u>7,954</u>	<u>212,954</u>
Total	<u>\$ 1,790,000</u>	<u>\$ 448,606</u>	<u>\$ 2,238,606</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 Refunding Bonds 2006 Fund.

Current Refunding.

On December 15, 2006, the District issued \$1,790,000 in Limited Obligation Bonds with an average interest rate of 3.88 percent to advance refund \$1,805,000 of outstanding Limited Obligation Bonds with an average interest rate of 6.5 percent. The net proceeds of \$1,769,870 after payments of \$20,130 for issuance

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the limited obligation bonds.

As a result, the limited obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the limited obligation bonds to reduce its total debt service payments over the remaining twelve years of the debt by approximately \$191,739 and to obtain an economic gain of \$144,428.

B. Certificates of participation payable.

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

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>\$ 324,838</u>

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

Year Ending June 30	Principal	Interest	Total
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	41,435	9,633	51,068
2013-2015	<u>139,826</u>	<u>12,911</u>	<u>152,737</u>
Total	<u>\$ 324,838</u>	<u>\$ 83,902</u>	<u>\$ 408,740</u>

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

C. Shortfall notes payable.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

D. Obligations under capital leases.

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

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 13,720	\$ 1,007	\$ 14,727
2009	<u>7,157</u>	<u>207</u>	<u>7,364</u>
Total	<u>\$ 20,877</u>	<u>\$ 1,214</u>	<u>\$ 22,091</u>

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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 rate for fiscal year ended June 30, 2007 was 11.3% 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, 2007, 2006 and 2005 were \$648,103, \$578,442 and \$484,274, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts are described in Note 4.

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

Lease expenditures for the year ended June 30, 2007, amounted to \$4,608. Future lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2008	<u>\$ 1,152</u>

(8) Sixteenth Section Lands.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2008	\$ 27,657
2009	27,657
2010	27,657
2011	27,657
2012	27,632
2013-2017	36,157
2018-2022	34,995
2023-2027	33,472
2028-2032	8,667
Thereafter	<u>4,318</u>
Total	<u>\$ 255,869</u>

(9) Risk Management.

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

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 121 school districts and one community college and covers risks of loss arising from injuries to the member'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 Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. 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.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

(10) Trust Certificates.

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

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

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

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

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

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

EAST JASPER SCHOOL DISTRICT

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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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,763,638	\$ 2,847,894	\$ 2,600,849	\$ 84,256	\$ (247,045)
State sources	4,975,882	5,087,170	5,044,401	111,288	(42,769)
Federal sources	-	73,996	74,196	73,996	200
Total Revenues	7,739,520	8,009,060	7,719,446	269,540	(289,614)
Expenditures:					
Instruction	4,647,293	4,708,347	4,522,193	(61,054)	186,154
Support services	4,052,178	4,035,447	3,586,200	16,731	449,247
Noninstructional services	11,735	22,025	16,573	(10,290)	5,452
Sixteenth section	6,922	16,412	16,412	(9,490)	-
Debt service:					
Principal	12,962	12,962	12,962	-	-
Interest	28,452	28,452	28,452	-	-
Total Expenditures	8,759,542	8,823,645	8,182,792	(64,103)	640,853
Excess (Deficiency) of Revenues Over Expenditures	(1,020,022)	(814,585)	(463,346)	205,437	351,239
Other Financing Sources (Uses):					
Insurance loss recoveries	-	5,095	5,095	5,095	-
Sale of other property	-	5,158	5,158	5,158	-
Operating transfers in	611,669	409,913	406,233	(201,756)	(3,680)
Other financing sources	-	31,177	40,095	31,177	8,918
Operating transfers out	(325,762)	(325,762)	(319,834)	-	5,928
Total Other Financing Sources (Uses)	285,907	125,581	136,747	(160,326)	11,166
Net Change in Fund Balances	(734,115)	(689,004)	(326,599)	45,111	362,405
Fund Balances:					
July 1, 2006	1,157,368	1,327,974	1,329,737	170,606	1,763
June 30, 2007	\$ 423,253	\$ 638,970	\$ 1,003,138	\$ 215,717	\$ 364,168

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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 33,819	\$ 33,819	\$ 65,991	\$ -	\$ 32,172
Total Revenues	<u>33,819</u>	<u>33,819</u>	<u>65,991</u>	<u>-</u>	<u>32,172</u>
Expenditures:					
Sixteenth section	-	11,732	11,732	(11,732)	-
Total Expenditures	<u>-</u>	<u>11,732</u>	<u>11,732</u>	<u>(11,732)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>33,819</u>	<u>22,087</u>	<u>54,259</u>	<u>(11,732)</u>	<u>32,172</u>
Other Financing Sources (Uses):					
Operating transfers out	(33,816)	(26,459)	-	7,357	26,459
Total Other Financing Sources (Uses)	<u>(33,816)</u>	<u>(26,459)</u>	<u>-</u>	<u>7,357</u>	<u>26,459</u>
Net Change in Fund Balances	<u>3</u>	<u>(4,372)</u>	<u>54,259</u>	<u>(4,375)</u>	<u>58,631</u>
Fund Balances:					
July 1, 2006	<u>995,941</u>	<u>972,887</u>	<u>972,887</u>	<u>(23,054)</u>	<u>-</u>
June 30, 2007	<u>\$ 995,944</u>	<u>\$ 968,515</u>	<u>\$ 1,027,146</u>	<u>\$ (27,429)</u>	<u>\$ 58,631</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, 2007

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.

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

EAST JASPER SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Fed. Domestic Assistance <u>Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>32,242</u>
Child nutrition cluster:		
School breakfast program	10.553	242,614
National school lunch program	10.555	397,891
Summer food service program for children	10.559	10,641
Total child nutrition cluster		<u>651,146</u>
Total U.S. Department of Agriculture		<u>683,388</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through the Mississippi Emergency Management Agency:		
Disaster grants - public assistance (Presidentially declared disasters)	97.036	<u>135,918</u>
Total U.S. Department of Homeland Security		<u>135,918</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	<u>82,244</u>
Total Federal Communications Commission		<u>82,244</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	557,323
Safe and drug-free schools and communities - state grants	84.186	6,792
Eisenhower professional development state grants	84.281	51,229
State grants for innovative programs	84.298	3,530
Education technology state grants	84.318	157,819
Teacher quality enhancement grants	84.336	120
Transition to teaching	84.350	80
Reading first state grants	84.357	173,141
Rural education	84.358	34,569
Improving teacher quality state grants	84.367	93,942
Grants for state assessments and related activities	84.369	<u>6,816</u>
Total		<u>1,085,361</u>
Special education cluster:		
Special education - grants to states	84.027	325,298
Special education - preschool grants	84.173	<u>7,855</u>
Total special education cluster		<u>333,153</u>
Total passed-through Mississippi Department of Education		<u>1,418,514</u>
Total U.S. Department of Education		<u>1,418,514</u>
Total for All Federal Awards		<u>\$ 2,320,064</u>

EAST JASPER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

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, 2007

<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	\$ 7,889,183	\$ 5,478,472	\$ 652,586	\$ 449,998	\$ 1,308,127
Other	<u>3,124,702</u>	<u>1,073,701</u>	<u>248,121</u>	<u>36,460</u>	<u>1,766,420</u>
Total	<u>\$ 11,013,885</u>	<u>\$ 6,552,173</u>	<u>\$ 900,707</u>	<u>\$ 486,458</u>	<u>\$ 3,074,547</u>
Total number of students	<u>1,099</u>				
Cost per student	<u>\$ 10,023</u>	<u>\$ 5,962</u>	<u>\$ 820</u>	<u>\$ 443</u>	<u>\$ 2,798</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 East Jasper School District as of and for the year ended June 30, 2007, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated August 6, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any

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East Jasper School District
Report on Compliance and Internal Controls

deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 disclosed no 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 August 6, 2008, 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

Cox & Palmer
August 6, 2008

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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, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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, 2007.

MEMBER

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

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, 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
August 6, 2008

EAST JASPER SCHOOL DISTRICT

**INDEPENDENT AUDITORS 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, 2007, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated August 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$18,882 of classroom supply funds carried over from previous years.

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

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

MEMBER

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

East Jasper School District
Reports on State Laws and Regulations

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

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

Finding

Code Section 37-61-21(2) Miss. Code Ann. (1972), states in part “. . . On or before the fifteenth day of October of each year, the local school board of each school district, with the assistance of the school district’s superintendent, shall prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require.”

The year-end financial statements were not available from the district until January 14, 2008.

Recommendation

Section 37-61-21(2) Miss. Code Ann. (1972), should be followed.

School District’s Response

The district will comply with Section 37-61-21(2) Miss. Code Ann. (1972) by submitting the year-end financial statements and any other budgetary information that the State Board of Education may require on or before the fifteenth day of October of each year.

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.

East Jasper School District
Reports on State Laws and Regulations

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

Cox & Palmer

Cox & Palmer

August 6, 2008

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified
2. Material noncompliance relating to the financial statements? No
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified
5. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported
6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? No
7. Federal programs identified as major programs:
 - a. Cluster : Special Education
CFDA #84.027 Grants to States
CFDA #84.173 Preschool Grants
 - b. Program name: Education Technology State Grants
CFDA #84.318
 - c. Program name: Disaster Grants – Public Assistance
(Presidentially Declared Disasters)
CFDA #97.036

East Jasper School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

- | | | |
|-----|--|------------------|
| 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

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

Section 3: Federal Award Findings and Questioned Costs

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