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West Jasper Consolidated School District

Audited Financial Statements

For the Year Ended June 30, 2007

Suzanne E. Smith, CPA

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	1
Independent Auditor's Report on the Basic Financial Statements and Supplementary Information	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	15
Statement of Net Assets	17
Statement of Activities	18
Balance Sheet - Governmental Funds	19
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Statement of Fiduciary Assets and Liabilities	23
Notes to the Financial Statements	25
REQUIREMENT SUPPLEMENTARY INFORMATION	41
Budgetary Comparison Schedule - General Fund	43
Budgetary Comparison Schedule - Title I-A Basic Fund	44
Budgetary Comparison Schedule - EEF Buildings/Buses Fund	45
Budgetary Comparison Schedule - Sixteenth Section Interest Fund	46
Notes to the Required Supplementary Information	47
SUPPLEMENTAL INFORMATION	49
Schedule of Expenditures of Federal Awards	51
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	53
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	55
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*	57
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	59
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	61
Independent Auditor's Report on Compliance with State Laws and Regulations	63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	65
AUDITEE'S CORRECTIVE ACTION PLAN	71

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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Suzanne E. Smith
Certified Public Accountant
P.O. Box 7124
Meridian, MS 39304
Phone: (601) 482-7966

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
West Jasper Consolidated School District

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Jasper Consolidated School District as of and for the year ended June 30, 2007, which collectively comprise the West Jasper Consolidated School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Jasper Consolidated School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

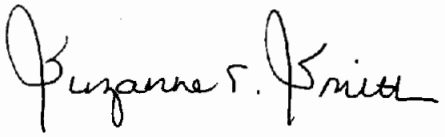
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Jasper Consolidated School District as of June 30, 2007, and 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*, I have also issued my report dated December 14, 2007, on my consideration of the West Jasper Consolidated School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on Pages 5 through 13 and the Budgetary Comparison Schedule and related notes on pages 41 through 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Jasper Consolidated School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis as required by the Mississippi State Auditor's Office. Such information has been subjected to

the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Meridian, MS
December 14, 2007

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

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The discussion and analysis of West Jasper Consolidated School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 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 increased $1,427,726, which represents a 13.0% increase from the fiscal year 2006.
- General revenues accounted for $11,452,236 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,211,463 or 22% of total revenues.
- The District had $13,290,199 in expenses; only $3,211,463 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $11,452,236 were adequate to provide for these programs.
- Among major funds, the General Fund had $10,472,437 in revenues and $9,608,569 in expenditures. The General Fund's fund balance decreased $514,745 over the prior year. The main reason for this decrease was a $1,500,000 transfer from the General Fund to a capital projects fund.
- Capital assets, net of accumulated depreciation, increased by $1,115,201.
- Long-term debt decreased by $271,168.

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support

services, non instructional services, interest on long-term liabilities, and other debt service expenditures.The government-wide financial statements can be found in this report.

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 year. Such information may be useful in evaluating the District's current financing requirements. Governmental funds are reported using modified accrual basis of 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. These reconciliations are provided as Exhibit C-1 and Exhibit D-1 of the financial statements.

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.

The basic governmental fund financial statements can be found in this report.

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 presented in a separate statement of fiduciary net assets shown as Exhibit E of the financial statements.

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. The notes to the financial statements can be found following Exhibit E of the financial statements.

Other required 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. This required supplementary information can be found following the notes to the financial statements.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133, and a schedule of instructional, administrative and other expenditures for governmental funds can be found in the report sections entitled Required Supplementary Information and Supplementary Information.

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 West Jasper Consolidated School District , assets exceeded liabilities by $12,660,805 as of June 30, 2007.

The District's net assets reflects its investment in capital assets (e.g. land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment), 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.

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 2006.

	2007	2006	% Change
Assets			
Current assets	$ 6,841,905	$ 6,632,798	3.2%
Other assets	841,288	1,131,675	-25.7%
Capital assets, net	7,942,206	6,827,005	16.3%
Total Assets	15,625,399	14,591,478	7.1%
Liabilities			
Current liabilities	$ 265,502	$ 388,139	-31.6%
Long-term liabilities	2,699,092	2,970,260	-9.1%
Total Liabilities	2,964,594	3,358,399	-11.7%
Net Assets:			
Invested in capital assets, net of r	$ 5,326,206	$ 3,931,965	35.5%
Restricted	6,027,453	5,471,351	10.2%
Unrestricted	1,307,146	1,829,763	-28.6%
Total Net Assets	$ 12,660,805	$ 11,233,079	12.7%

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

- Other assets decreased primarily because of a $250,000 interfund loan made to the General Fund from a permanent fund for building improvements. This loan is shown as an interfund advance on the Governmental Balance sheet and eliminated as part of the conversion process to arrive at the Statement of Net Assets. The interfund loan results in fewer other assets shown on the Statement of Net Assets.
- The payment or net reduction of long-term liabilities in the amount of $271,168.
- The addition to Construction in progress of $1,222,747 and the completion of all construction projects and reclassification of these projects to other capital asset categories.
- The addition of mobile equipment in the amount of $121,673 and furniture and equipment of $57,672.
- Current year depreciation expense charges of $365,940.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were $14,663,699. The total cost of all programs and services was $13,290,199. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006.

	2007	2006	% Change
Revenues			
Program Revenues			
Charges for Services	$ 402,062	$ 416,842	-3.5%
Operating grants and contributions	2,809,401	2,540,175	10.6%
Total Program Revenues	3,211,463	2,957,017	8.6%
General Revenues			
Property taxes	$ 2,978,234	$ 2,952,948	0.9%
Unrestricted grants and contributions	8,049,515	7,875,609	2.2%
Other general revenues	424,487	599,657	-29.2%
Total General Revenues	11,452,236	11,428,214	0.2%
Total Revenues	14,663,699	14,385,231	1.9%
Expenses			
Instruction	$ 7,123,204	$ 7,218,726	-1.3%
Support Services	5,135,569	5,043,533	1.8%
Non-instructional	847,402	836,904	1.3%
Sixteenth section	20,740	5,333	288.9%
Interest on long-term liabilities	162,679	181,783	-10.5%
Other	605	0	100.0%
Total Expenses	13,290,199	13,286,279	0.0%
Increase(Decrease) in net assets	$ 1,373,500	$ 1,098,952	25.0%
Net Assets, July 1	11,233,079	10,172,190	10.4%
Prior Period Adjustments	54,226	(38,063)	-242.5%
Net Assets, June 30	$ 12,660,805	$ 11,233,079	12.7%

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

- Other General Revenues in the form of insurance loss recoveries decreased from the 2006 year by $220,840.
- Sixteenth section expenses increased $15,407 from the previous year. The increased expenses represent payments for services provided for the care of trust lands.

Governmental activities. The following table presents the cost of major District functional activities: instruction, support services, non-instructional, interest on long-term debt, and other debt service expenditures. 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.

	2007	2006	2007 Net (Expense) Revenue	2006 Net (Expense) Revenue
Instruction	$ 7,123,204	$ 7,218,726	$ (5,840,181)	$ (6,258,174)
Support services	5,135,569	5,043,533	(4,287,024)	(3,902,933)
Non-instructional	847,402	836,904	172,314	(2,429)
Sixteenth section	20,740	5,333	(20,740)	16,057
Interest on long-term liabilities	162,679	181,783	(102,500)	(181,783)
Other	605	0	(605)	0
Total Governmental Activities	$ 13,290,199	$ 13,286,279	$ (10,078,736)	$ (10,329,262)

- Net cost of governmental activities, ($10,078,736) was financed by general revenue, which is made up of primarily property taxes ($2,978,234), state revenue ($7,950,115), and federal revenue ($99,400).

- Investment earnings accounted for $115,538 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 the year, its governmental funds reported a combined fund balance of $7,476,529, a increase of $36,719 from the previous year. $3,413,565 or 46% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $4,062,964 or 54% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $514,745. The fund balance of the Title I-A Basic Fund did not change from the prior year.

The fund balance of the EEF Buildings/Buses Fund increased by $55,886, due to the fact that advances from other funds decreased from the prior year. The fund balance of this fund shows a deficit of ($386,450). This deficit exists because of the balance of advances due to the Sixteenth Section Interest Principal fund at the end of the year. The advances were used to finance school district building improvements and are allowed by state law.

The Sixteenth Section Interest Fund fund balance increased by $116,770. The Local Building Project Fund fund balance increased by $280,498, due mainly to a transfer in from the General Fund of $1,500,000. The transfer was made to supplement school district building improvements accounted for in the Local Building Project Fund.

The Sixteenth Section Interest Principal increased by $26,365 from the 2006 year. This was due in large part to an increase in

interest income revenues. Other Governmental Funds combined fund balances increased by $71,945 from the previous year.

BUDGETARY HIGHLIGHTS

Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs were used to determine original budget amounts. Over the course of the year, the District revised the annual operating budget when changes in tentative allocations, estimates, legislative mandates, staffing studies, and current and anticipated needs arose.

At the time the original budget was prepared, only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation awards as estimates. Once federal awards were known, budgets were amended to reflect the actual grant awards and expenditures.

A schedule showing the original and final budget amounts compared to the District's actual financial activity of the following funds are provided in this report as Required Supplementary Information.

General Fund
Title I-A Basic Fund
EEF Buildings/Buses Fund
Sixteenth Section Interest Fund

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were $12,544,604, including land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment. This amount represents an increase of $1,418,016 from the previous year. Total accumulated depreciation as of June 30, 2007, was $4,602,398 and total depreciation expense for the year was $365,940, resulting in total net capital assets of $7,942,206.

	Capital Net Assets, Net of Depreciation		Percentage
	2007	2006	Change
Land	$ 164,710	$ 164,710	0.0%
Construction in progress	0	586,823	-100.0%
Buildings	5,327,852	5,138,288	3.7%
Building improvements	1,442,015	26,554	5330.5%
Improvements other than buildings	239,865	158,507	51.3%
Mobile equipment	648,291	623,394	4.0%
Furniture and equipment	119,473	100,808	18.5%
Leased property under capital lease	0	27,921	-100.0%
Total	$ 7,942,206	$ 6,827,005	16.3%

Additional information about the District's capital assets can be found in Note 4 of the notes to the financial statements in this report.

Debt Administration. At June 30, 2007, the District had $2,699,092 in long term debt , of which $272,155 is due within one year. The following table shows general long-term debt balances for the year ending June 30, 2007, as compared to June 30, 2006.

	2007	2006	Percentage Change
Limited obligation bonds payable	$ 2,290,000	$ 2,450,000	-6.5%
Three mill notes payable	326,000	425,000	-23.3%
Obligations under capital lease	0	17,509	-100.0%
Obligations under energy efficiency lease	0	2,531	-100.0%
Compensated absences	83,092	75,220	10.5%
Total	$ 2,699,092	$ 2,970,260	-9.1%

Additional information on the District's long-term debt obligations can be found in Note 5 in the notes to the financial statements.

CURRENT ISSUES

The West Jasper Consolidated School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's office of West Jasper Consolidated School District, P.O. Box 610, Bay Springs, MS 39422.

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

FINANCIAL STATEMENTS

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT — Exhibit A
STATEMENT OF NET ASSETS
6/30/2007

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	6,302,205
Investments		194,163
Due from other governments		345,537
Inventories		19,878
Restricted assets		821,410
Capital assets, not being depreciated:		
Land		164,710
Capital assets, net of accumulated depreciation:		
Buildings		5,327,852
Building improvements		1,442,015
Improvements other than buildings		239,865
Mobile equipment		648,291
Furniture and equipment		119,473
Total assets		15,625,399
LIABILITIES		
Accounts payable and accrued liabilities		105,927
Deferred revenue		100,737
Interest due on long-term liabilities		58,838
Long-term liabilities (due within one year)		
Capital-related liabilities		268,000
Non-capital liabilities		4,155
Long-term liabilities (due beyond one year)		
Capital-related liabilities		2,348,000
Non-capital liabilities		78,937
Total liabilities		2,964,594
NET ASSETS		
Invested in capital assets, net of related debt		5,326,206
Restricted net assets		
Expendable:		
School-based activities		2,043,205
Debt service		368,956
Capital improvements		1,856,288
Forestry improvements		57,642
Unemployment benefits		32,663
Non-expendable:		
Sixteenth section		1,668,699
Unrestricted		1,307,146
Total net assets	$	12,660,805

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 7,123,204	181,345	1,101,678		(5,840,181)
Support services	5,135,569		848,545		(4,287,024)
Noninstructional services	847,402	220,717	798,999		172,314
Sixteenth section	20,740		0		(20,740)
Interest on long-term debt	162,679		60,179		(102,500)
Other	605		0		(605)
Total governmental activities	$ 13,290,199	402,062	2,809,401	0	$ (10,078,736)
General Revenues:					
Taxes:					
General purpose levies					2,855,311
Debt service levies					122,923
Unrestricted grants and contributions:					
State					7,950,115
Federal					99,400
Unrestricted investment earnings					115,538
Sixteenth section sources					283,106
Other					25,843
Total general revenues					11,452,236
Change in Net Assets					1,373,500
Net Assets - Beginning					11,233,079
Adjustments					54,226
Net Assets - Beginning - Restated					11,287,305
Net Assets - Ending					$ 12,660,805

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

Exhibit C

	Major Funds							
	General Fund	Title I-A Basic Fund	EEF Buildings/ Buses Fund	Sixteenth Section Interest Fund	Local Building Project Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	1,690,338	112,527	13	1,801,986	1,855,820	821,410	841,521	7,123,615
Investments	0	0	0	0	0	0	194,163	194,163
Due from other governments	155,956	0	5,015	0	0	0	184,566	345,537
Due from other funds	41,835	0	0	0	0	0	0	41,835
Inventory	0	0	0	0	0	0	19,878	19,878
Advances to other funds	0	0	0	0	0	847,289	0	847,289
Total assets	$ 1,888,129	112,527	5,028	1,801,986	1,855,820	1,668,699	1,240,128	8,572,317
LIABILITIES & FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	37,065	33,475	5,015	5,617	0	0	24,755	105,927
Due to other funds	0	0	0	0	0	0	41,835	41,835
Advances from other funds	460,826	0	386,463	0	0	0	0	847,289
Unearned revenue	0	79,052	0	0	0	0	21,685	100,737
Total liabilities	497,891	112,527	391,478	5,617	0	0	88,275	1,095,788
Fund balances:								
Reserved for:								
Investments	0	0	0	0	0	821,410	0	821,410
Capital improvements	0	0	0	0	1,855,820	0	468	1,856,288
Forestry improvements	0	0	0	0	0	0	57,642	57,642
Inventory	0	0	0	0	0	0	19,878	19,878
Advances	0	0	0	0	0	847,289	0	847,289
Debt service	0	0	0	0	0	0	427,794	427,794
Unemployment	0	0	0	0	0	0	32,663	32,663
Unreserved, reported in:								
General funds	1,390,238	0	0	0	0	0	0	1,390,238
Special revenue funds	0	0	(386,450)	1,796,369	0	0	613,408	2,023,327
Total fund balances	1,390,238	0	(386,450)	1,796,369	1,855,820	1,668,699	1,151,853	7,476,529
Total liabilities & fund balances	$ 1,888,129	112,527	5,028	1,801,986	1,855,820	1,668,699	1,240,128	8,572,317

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
Reconcilation of Governmental Funds Balance Sheet to the Statement of Net Activities
June 30, 2007

Exhibit C-1

		Amount
Total fund balance - governmental funds	$	7,476,529
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, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of $4,602,398. (Note 4)		7,942,206
2 Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds. (Note 5)		(2,699,092)
3 Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues.		(58,838)
Total net assets - governmental activities	$	12,660,805

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2007

Exhibit D

	Major Funds							
	General Fund	Title I-A Basic Fund	EEF Buildings/ Buses Fund	Sixteenth Section Interest Fund	Local Building Project Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Local sources	2,901,597	5,625	0	0	35,765	0	578,688	3,521,675
State sources	7,465,660	0	60,179	0	0	0	929,252	8,455,091
Federal sources	105,180	646,942	0	0	0	0	1,651,705	2,403,827
Sixteenth section sources	0	0	0	183,045	0	73,303	26,758	283,106
Total revenues	$ 10,472,437	652,567	60,179	183,045	35,765	73,303	3,186,403	14,663,699
EXPENDITURES								
Instruction	5,879,417	359,380	0	0	0	0	865,825	7,104,622
Support Services	3,698,367	205,260	0	0	0	0	1,051,120	4,954,747
Noninstructional services	240	4,866	0	0	0	0	842,690	847,796
Sixteenth section	400	0	0	0	0	0	20,340	20,740
Facilities Acquisition	0	0	0	0	1,255,267	0	0	1,255,267
Debt service:								
Principal	19,454	0	0	0	0	0	259,000	278,454
Interest	10,691	0	18,020	0	0	0	138,605	167,316
Other	0	0	0	0	0	0	605	605
Total expenditures	9,608,569	569,506	18,020	0	1,255,267	0	3,178,185	14,629,547
Excess(deficiency) of revenues over expenditures	863,868	83,061	42,159	183,045	(1,219,502)	73,303	8,218	34,152
OTHER FINANCING SOURCES (USES)								
Transfers in	284,312	0	13,727	46,938	1,500,000	0	185,394	2,030,371
Transfers out	(1,662,925)	(83,061)	0	(113,213)	0	(46,938)	(124,234)	(2,030,371)
Total other financing sources and uses	(1,378,613)	(83,061)	13,727	(66,275)	1,500,000	(46,938)	61,160	0
Net change in fund balances	(514,745)	0	55,886	116,770	280,498	26,365	69,378	34,152
Fund balances:								
July 01, 2006	1,904,983	0	(442,336)	1,679,599	1,575,322	1,642,334	1,079,908	7,439,810
Increase(decrease) in inventory	0	0	0	0	0	0	2,567	2,567
June 30, 2007	$ 1,390,238	0	(386,450)	1,796,369	1,855,820	1,668,699	1,151,853	7,476,529

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Exhibit D-1

		Amount
Net change in fund balances (Exhibit D)	$	34,152
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 assets purchased amounted to $1,434,612, and the depreciation expense amounted to $365,940.		1,068,672
2 In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. The change in net assets differs from the change in fund balances by the loss on disposal of capital assets.		(7,112)
3 Payment of principal and long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.		278,454
4 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		(7,872)
5 Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.		2,567
6 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 the interest becomes due.		4,639
Changes in net assets of governmental activities (Exhibit B)	$	1,373,500

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT Exhibit E
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2007

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 573,811
Total Assets	573,811
LIABILITIES	
Accounts payable and accrued liabilities	540,148
Due to student clubs	33,663
Total Liabilities	$ 573,811

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

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(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.

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.

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. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange 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 a separate accounting entity. 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 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.

Title I-A Basic Fund- This fund is a special revenue fund used to account for the financial resources associated with the Title I-A Basic program.

EEF Buildings/Buses Fund - This fund is a special revenue fund used to account for the proceeds of state educational enhancement funds that are legally restricted for building improvements or bus purchases.

Sixteenth Section Interest Fund - This special revenue fund is used to account for the financial resources associated with expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from the investment of expendable sixteenth section funds.

Local Building Project Fund - This is a capital projects fund used to account for the funds transferred in from appropriate governmental funds to be used for the renovation and construction of school facilities.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable revenues derived from the use of sixteenth section lands held in trust by the school district and from the investment of such nonexpendable revenues.

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:

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.

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 maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 3 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 3 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.

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

	Capitalization Policy	Estimated Useful Life
Land	-	-
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

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.

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details of 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 borrowing 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 investments – An Account that represents a portion of the fund balance of a permanent fund that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

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

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

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 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 debt service - An account that represents that portion of fund balance in the Debt Service Fund which is 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.

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 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, Cash with Fiscal Agents, and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns.

Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution 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, an open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $7,123,615 and $573,811 , respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents $6,302,205 and restricted assets $821,410. The restricted assets of $821,410 consist of cash of the Sixteenth Section Principal Fund (Permanent Fund), which is legally restricted and may not be used for purposes that support the district's programs. The bank balance of the district's cash and cash equivalents was $7,864,585.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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 $7,864,585 was exposed to custodial credit risk.

Investments.

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

Investment Type	Maturity (years)	Fair Market Value	Rating
Hancock Horizon Treasury Money Market Funds	Less than 1	$194,163	AAAm

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2007, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Hancock Bank - Horizon Treasury Money Market Funds	$194,163	100%

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due From	Due To
Governmental Funds:		
General Fund	$ 41,835	
Other governmental funds		41,835
Totals	$ 41,835	41,835

Amounts due from/to other funds represent interfund loans caused by timing of receivables due from other governments to special revenue funds and the related interfund loans necessary to remedy these timing differences.

B. Advances To/From Other Funds.

		Advances To	Advances From
Governmental Funds:			
General Fund	$		460,826
EEF Buildings/Buses Fund			386,463
Sixteenth Section Principal Fund		847,289	
Totals	$	847,289	847,289

The above advances represent monies loaned from the Sixteenth Section Principal Fund to governmental funds in accordance with Section 29-3-113, Miss. Code Ann. (1972). The advances were loaned to finance building improvement projects. The interfund loans are also referred to as sixteenth section principal loans payable. The advances bear interest at 4 percent per year.

The following is a schedule by years of the total payments due on these interfund advances.

Year Ending June 30		Principal	Interest	Total
2008	$	104,059	34,014	138,073
2009		108,100	29,973	138,073
2010		112,469	25,604	138,073
2011		117,015	21,058	138,073
2012		121,744	16,329	138,073
2013-2018		283,902	25,181	309,083
Totals	$	847,289	152,159	999,448

C. Transfers In/Out.

		Transfers In	Transfers Out
Governmental Funds:			
General Fund	$	284,312	1,662,925
Title I-A Basic Fund			83,061
EEF Buildings/Buses Fund		13,727	
Sixteenth Section Interest Fund		46,938	113,213
Local Building Project Fund		1,500,000	
Sixteenth Section Principal Fund			46,938
Other governmental funds		185,394	124,234
Totals	$	2,030,371	2,030,371

The interfund transfers constitute general operating transfers and transfers of indirect costs. The general operating transfers move resources between funds, while transfers of indirect costs provide resources for the General Fund in return for financing the indirect costs associated with certain federal programs.

(4) Capital Assets.

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

	Balance July 01, 2006	Additions	Retirements	Completed Construction	Capital Lease Conversions	Adjustments	Balance June 30, 2007
Non-depreciable Assets:							
Land	$ 164,710						164,710
Construction in progress	586,823	1,222,747		(1,809,570)			0
Total non-depreciable assets	751,533	1,222,747		(1,809,570)	0	0	164,710
Depreciable Assets:							
Buildings	7,664,423			335,827			8,000,250
Building Improvements	52,070			1,473,743	174,402		1,700,215
Improvements other than buildings	180,122	32,520				59,733	272,375
Mobile equipment	1,785,615	121,673			29,384		1,936,672
Furniture and equipment	467,049	57,672	89,229		21,990	12,900	470,382
Leased property under capital lease	225,776				(225,776)		0
Total depreciable assets	10,375,055	211,865	89,229	1,809,570	0	72,633	12,379,894
Less: Accumulated Depreciation for -							
Buildings	2,526,135	146,263					2,672,398
Building Improvements	25,516	60,026			172,658		258,200
Improvements other than buildings	21,615	10,895					32,510
Mobile equipment	1,162,221	110,293			15,867		1,288,381
Furniture and equipment	366,241	38,463	82,117		9,330	18,992	350,909
Leased property under capital lease	197,855				(197,855)		0
Total accumulated depreciation	4,299,583	365,940	82,117	0	0	18,992	4,602,398
Total depreciable capital assets, net	6,075,472	(154,075)	7,112	1,809,570	0	53,641	7,777,496
Governmental activities capital assets	$ 6,827,005	1,068,672	7,112	0	0	53,641	7,942,206

Depreciation expense was charged to the following governmental functions:

Instruction	$	12,403
Support services		341,536
Non-instructional		12,001
Total	$	365,940

(5) Long-term Liabilities.

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

		Balance July 01, 2006	Additions	Reductions	Adjustments	Balance June 30, 2007	Amounts due within one year
A. Limited obligation bonds payable	$	2,450,000		160,000		2,290,000	165,000
B. Three mill notes payable		425,000		99,000		326,000	103,000
C. Obligations under capital lease		17,509		17,509		0	0
D. Obligations under energy efficiency lease		2,531		1,945	(586)	0	0
E. Compensated absences payable		75,220	7,872			83,092	4,155
Total	$	2,970,260	7,872	278,454	(586)	2,699,092	272,155

A. Limited obligation bonds payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital Improvement, Series 1998	4.4 - 6.25%	01-01-1998	01-01-2018	$3,230,000	$2,290,000

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

Year Ending June 30		Principal	Interest	Total
2008	$	165,000	109,135	274,135
2009		170,000	101,710	271,710
2010		180,000	93,890	273,890
2011		190,000	85,610	275,610
2012		195,000	76,680	271,680
2013-2017		1,130,000	234,845	1,364,845
2018		260,000	13,000	273,000
Total	$	2,290,000	714,870	3,004,870

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 37-15-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of legal debt limits. This debt will be retired from fund 4041, MAEP Retirement Fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2000	5.24%	04-04-2000	04-04-2010	$925,000	$326,000

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

Year Ending June 30	Principal	Interest	Total
2008	$ 103,000	17,082	120,082
2009	109,000	11,685	120,685
2010	114,000	5,974	119,974
Total	$ 326,000	34,741	360,741

This debt will be retired from fund 4021, Three Mill Ten Year Retirement Fund.

C. Obligations Under Capital Lease.

This debt was fully paid during the year ended June 30, 2007.

D. Obligations under energy efficiency lease.

This debt was fully paid during the year ended June 30, 2007.

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) Pledged Revenues.

The School District has pledged a portion of future state Minimum Adequate Education Program revenues to repay $3,230,000 in limited obligation bonds payable issued in January 1998. Proceeds from the bonds were used to finance capital improvements made to the district's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through 2018. Annual principal and interest payments on the bonds are expected to require less than 4% percent of such state revenues. The total principal and interest remaining to be paid on the bonds is $3,004,870. Principal and interest paid for the current

year and total State Minimum Adequate Education Program revenues were $276,335 and $7,638,218, respectively.

The School District has pledged all state Educational Enhancement revenues for Buildings/Buses to repay $1,000,000 in an advance from the Sixteenth Section Principal Fund (permanent fund) advanced in April 1993. Proceeds from the advance (sixteenth section principal loan) were used to construct a new cafeteria at Bay Springs High School/Elementary School campus. The bonds are payable through the pledge of state Educational Enhancement revenues for Buildings/Buses and general fund revenues and are payable through 2013. State law requires that this type of advance carry an interest rate of no less than 4% annually. Annual principal and interest payments on the advance are expected to require more than 100% of such state revenues, with the difference being paid from the general fund. The total principal and interest remaining to be paid on the advance is $443,403. Principal and interest paid for the current year and total state Educational Enhancement revenues for Buildings/Buses were $73,900 and $60,179, respectively.

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007, was 11.30% 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 $873,287, $736,439, and $665,226, respectively, equal to the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2008	$ 30,165
2009	27,999
2010	19,500
2011	16,924
2012	16,345
2013-2017	62,463
2018-2022	42,020
2023-2027	41,692
2028-2032	7,226
Thereafter	360
Total	$ 264,694

(9) Deficit Fund Balance of Individual Funds.

The EEF Buildings/Buses fund has a deficit fund balance in the amount of ($386,450).

This deficit fund balance was caused by the advance from other funds created by loans from the Sixteenth Section Principal fund (permanent fund). State law specifically allows for such types of interfund loans. The annual payments on the outstanding loans will be made with future State revenues pledged by the district at the time that the loans were approved and finalized. The deficit fund balance in the EEF Buildings/Buses fund represents the commitment of future State revenues to satisfy these interfund loan payment requirements.

(10) Prior Period Adjustments/Exhibits.

Exhibit B - Statement of Activities

	Explanations	Amount
1.	Adjustment to correct a prior year error in recording a capital asset	$53,641
2.	Adjustment to correct a prior year error in recording a liability	585
	Total	$54,226

(11) Risk Management.

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

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.

(12) Vocational School Center.

The school district entered into a Vocational Educational agreement dated January 28, 1991, creating the Jasper County Regional Vocational Education Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the West Jasper Consolidated School District and the East Jasper Consolidated School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed, and detailed procedures for student admission and transportation services for those students.

The West Jasper Consolidated School District has been designated as the fiscal agent for the Jasper County Regional Vocational Education Center, and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Jasper County Regional Vocational Education Center. The statement is presented on the following page.

Jasper County Regional Vocational Education Center
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2007

Revenues		
Local sources		
Ad valorem from within the county:		
Jasper County Board of Supervisors	$	225,000
Total ad valorem from within the county		225,000
Interest		9,186
Other local sources		2,157
Total local sources		236,343
State sources		514,499
Federal sources		46,456
Total revenues		797,298
Expenditures		
Salaries		514,938
Employee benefits		152,281
Purchased property services		48,105
Other purchased services		17,330
Supplies		28,311
Property		42,699
Other		1,442
Total expenditures		805,106
Excess (Deficiency) of Revenues over Expenditures		(7,808)
Other Financing Sources/Uses		
Transfers out		(53,506)
Total other financing sources/uses		(53,506)
Net Change in Fund Balance		(61,314)
Fund Balance:		
July 01, 2006		413,957
June 30, 2007	$	352,643

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT
Budgetary Comparison for the General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances - Positive (Negative) Original	Final
	Original	Final	(GAAP Basis)	to Final	to Actual
Revenues					
Local sources	2,811,073	2,890,542	2,901,597	79,469	11,055
State sources	7,271,466	7,465,660	7,465,660	194,194	0
Federal sources	90,000	105,180	105,180	15,180	0
Total Revenues	$ 10,172,539	10,461,382	10,472,437	288,843	11,055
Expenditures					
Instruction	6,254,851	5,879,507	5,879,417	375,344	90
Support Services	3,919,129	3,692,978	3,698,367	226,151	(5,389)
Noninstructional	0	240	240	(240)	0
Sixteenth section	700	400	400	300	0
Debt service					
Principal	0	0	19,454	0	(19,454)
Interest	93,418	30,145	10,691	63,273	19,454
Total Expenditures	10,268,098	9,603,270	9,608,569	664,828	(5,299)
Excess (Deficiency) of Revenues Over Expenditures	(95,559)	858,112	863,868	953,671	5,756
Other Financing Sources (Uses)					
Other financing sources	0	305	0	305	(305)
Operating transfers in	306,323	306,968	284,312	645	(22,656)
Operating transfers out	(165,444)	(1,662,926)	(1,662,925)	(1,497,482)	1
Total Other Financing Sources (Uses)	140,879	(1,355,653)	(1,378,613)	(1,496,532)	(22,960)
Net Change in Fund Balances	45,320	(497,541)	(514,745)	(542,861)	(17,204)
Fund Balances					
July 1, 2006	1,309,280	1,473,215	1,904,983	163,935	431,768
June 30, 2007	$ 1,354,600	975,674	1,390,238	(378,926)	414,564

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
Budgetary Comparison for the Title I-A Basic Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances - Positive (Negative) Original	Final
	Original	Final	(GAAP Basis)	to Final	to Actual
Revenues					
Local sources	$0	6,078	5,625	6,078	(453)
State sources	0	0	0	0	0
Federal sources	566,071	646,942	646,942	80,871	0
Total Revenues	$ 566,071	653,020	652,567	86,949	(453)
Expenditures					
Instruction	86,928	359,380	359,380	(272,452)	0
Support Services	415,930	205,260	205,260	210,670	0
Noninstructional	10,294	4,866	4,866	5,428	0
Sixteenth section	0	0	0	0	0
Debt service	0	0	0	0	0
Total Expenditures	513,152	569,506	569,506	(56,354)	0
Excess (Deficiency) of Revenues Over Expenditures	52,919	83,514	83,061	30,595	(453)
Other Financing Sources (Uses)					
Other financing sources	0	0	0	0	0
Operating transfers in	0	0	0	0	0
Operating transfers out	(183,273)	(83,061)	(83,061)	100,212	0
Total Other Financing Sources (Uses)	(183,273)	(83,061)	(83,061)	100,212	0
Net Change in Fund Balances	(130,354)	453	0	130,807	(453)
Fund Balances					
July 1, 2006	65,915	0	0	(65,915)	0
June 30, 2007	$ (64,439)	453	0	64,892	(453)

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
Budgetary Comparison for the EEF Buildings/Buses Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Local sources	0	0	0	0	0
State sources	60,174	60,179	60,179	5	0
Federal sources	0	0	0	0	0
Sixteenth section sources	0	0	0	0	0
Total Revenues	$ 60,174	60,179	60,179	5	0
Expenditures					
Instruction	0	0	0	0	0
Support Services	0	0	0	0	0
Noninstructional	0	0	0	0	0
Sixteenth section	0	0	0	0	0
Debt service					
Interest	18,022	18,022	18,020	0	2
Total Expenditures	18,022	18,022	18,020	0	2
Excess (Deficiency) of Revenues Over Expenditures	42,152	42,157	42,159	5	2
Other Financing Sources (Uses)					
Operating transfers in	13,727	13,727	13,727	0	0
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	13,727	13,727	13,727	0	0
Net Change in Fund Balances	55,879	55,884	55,886	5	2
Fund Balances					
July 1, 2006	0	(55,872)	(442,336)	(55,872)	38,000
June 30, 2007	$ 55,879	12	(386,450)	(55,867)	(386,462)

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
Budgetary Comparison for the Sixteenth Section Interest Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances - Positive (Negative) Original	Final
	Original	Final	(GAAP Basis)	to Final	to Actual
Revenues					
Local sources	0	0	0	0	0
State sources	0	0	0	0	0
Federal sources	0	0	0	0	0
Sixteenth section sources	143,001	183,045	183,045	40,044	0
Total Revenues	$ 143,001	183,045	183,045	40,044	0
Expenditures					
Instruction	0	0	0	0	0
Support Services	0	0	0	0	0
Noninstructional	0	0	0	0	0
Sixteenth section	6,950	0	0	6,950	0
Debt service	0	0	0	0	0
Total Expenditures	6,950	0	0	6,950	0
Excess (Deficiency) of Revenues Over Expenditures	136,051	183,045	183,045	46,994	0
Other Financing Sources (Uses)					
Operating transfers in	45,000	84,938	46,938	39,938	(38,000)
Operating transfers out	(120,000)	(113,213)	(113,213)	6,787	0
Total Other Financing Sources (Uses)	(75,000)	(28,275)	(66,275)	46,725	(38,000)
Net Change in Fund Balances	61,051	154,770	116,770	93,719	(38,000)
Fund Balances					
July 1, 2006	1,623,270	1,641,599	1,679,599	18,329	38,000
June 30, 2007	$ 1,684,321	1,796,369	1,796,369	112,048	0

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

WEST JASPER CONSOLIDATED 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 Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on 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.

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U. S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash assistance:	10.550	$ 44,580
Food donation		
Child nutrition cluster:		
School breakfast program	10.553	208,366
National school lunch program	10.555	534,231
Total child nutrition cluster		742,597
Total U. S. Department of Agriculture		**787,177**
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service Fund	32.XXX	29,080
Total Federal Communications Commission		**29,080**
U. S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	717,055
Vocational education - basic grants to states	84.048	46,456
Safe and drug-free schools and communities - state grants	84.186	17,623
State grants for innovative programs	84.298	30,616
Education technology - state grants	84.318	7,645
Rural education	84.358	73,445
Improving teacher quality - state grants	84.367	162,739
Grants for state assessments and related activities	84.369	100
Total		1,055,679
Special education cluster:		
Special education - grants to states	84.027	438,996
Special education - preschool grants	84.173	22,575
Total		461,571
Total passed-through Mississippi Department of Education		1,517,250
Total U. S. Department of Education		**1,517,250**
Forest Service, Department of Agriculture		
Passed-through the Jasper County Board of Supervisors:		
Urban and community forestry program	10.675	70,320
Total Forest Service, Department of Agriculture		**70,320**
Total for all Federal Awards		$ **2,403,827**

NOTES TO SCHEDULE

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT
Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2007

Expenditures		Total	Instructional and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	9,836,856.00	7,218,399.00	497,534.00	762,849.00	1,358,074.00
Other		4,792,691.00	1,168,632.00	129,715.00	82,663.00	3,411,681.00
Total	$	14,629,547.00	8,387,031.00	627,249.00	845,512.00	4,769,755.00
Toal number of students *		1720	1720	1720	1720	1720
Cost per student	$	8,506	4,876	365	492	2,773

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

Instructional and other Student Instructional Expenditures – includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teacher aides or classroom assistants of any type (all the 1,000's, 2100's, and 2200's functional expenditure codes).

General Administration – includes expenditures for the following functions: Support Services – General Administration (2300's) and Support Services – Business (2500's).

School Administration – includes expenditures for the following function: Support Services – School Administration (2400's).

Other – includes all expenditure functions not included in Instructional or Administration categories.

*Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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Suzanne E. Smith
Certified Public Accountant

P.O. Box 7124
Meridian, MS 39304
Phone: (601) 482-7966

REPORT ON INTERNAL CONTROLS 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
West Jasper Consolidated School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Jasper Consolidated School District as of and for the year ended June 30, 2007, which collectively comprise West Jasper Consolidated School District's basic financial statements and have issued my report thereon dated December 14, 2007. I conducted my 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 my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion 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, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in the internal control over financial reporting that I consider to be significant deficiencies.

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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-01, 2007-02, and 2007-03 to be significant deficiencies in internal control over financial reporting.

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.

My 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 and, accordingly, would not necessary disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of 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 statements amounts. However, providing an opinion on

compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the District's 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.

Suzanne S. Smith

Meridian, MS
December 14, 2007

Suzanne E. Smith
Certified Public Accountant

P.O. Box 7124
Meridian, MS 39304
Phone: (601) 482-7966

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRULAR 1-133

Superintendent and School Board
West Jasper Consolidated School District

Compliance

I have audited the compliance of the West Jasper Consolidated School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of the 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, the West Jasper Consolidated School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-04 and 2007-05.

Internal Control over Compliance

The management of the West Jasper Consolidated School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I 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 my auditing procedures for the purpose of expressing my opinion on compliance., but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be

significant deficiencies.

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. I consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-04 and 2007-05 to be significant deficiencies.

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 that will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The West Jasper Consolidated School District's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the West Jasper Consolidated School District's response and, accordingly, I express no opinion on them.

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 the specified parties. However, this report is a matter of public record and its distribution is not limited.

Suzanne F. Smith

Meridian, MS
December 14, 2007

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

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

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Suzanne E. Smith
Certified Public Accountant

P.O. Box 7124
Meridian, MS 39304
Phone: (601) 482-7966

REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
West Jasper Consolidated School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Jasper Consolidated School District as of and for the year ended June 30, 2007, which collectively comprise West Jasper Consolidated School District's basic financial statements and have issued my report thereon dated December 14, 2007. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 $3,174 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 function level expenditure codes in expenditures by the school district. The results of my procedures performed to test compliance with the requirements of Section 37-9-18(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

Suzanne E. Smith

Meridian, MS
December 14, 2007

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WEST JASPER CONSOLIDATED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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West Jasper Consolidated 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 basic financial statements:	Unqualified
2. Material noncompliance relating to the basic financial statements?	No
3. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified that are not considered to be material Weaknesses?	Yes

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs	Unqualified
5. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified that are not considered to be material Weaknesses?	Yes
6. Any audit finding(s) reported as required by section ___.510(a) of Circular A-133?	Yes
7. Federal programs identified as major programs:	
a. Title I grants to Local Educational Agencies CFDA # 84.010	
b. Special Education Cluster CFDA # 84.027 CFDA# 84.173	
c. Improving Teacher Quality - State Grants CFDA# 84.367	
8. The dollar threshold used to distinguish between type A and type B programs:	$300,000
9. Auditee qualified as a low-risk auditee?	No
10. Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.315(b) of OMB Circular A-133	No

Section 2: Financial Statement Findings

Control Deficiencies considered to be a Significant Deficiencies

2007-01. Finding Weakness in controls surrounding bank reconciliation process

The school district is responsible for designed and establishing a system of reporting and asset controls to make sure that school district assets are protected and that the financial records and statements are accurate and correct in all material respects. One of the ways that this can be accomplished is by preparing timely and fully completed bank reconciliations for all school district bank accounts.

The school district has limited staff available in the central office, and reconciliation differences can take a great deal of time to resolve. The district maintains a separate checking account for all reimbursable federal programs, and a great deal of time is spent each month moving monies between the general operating fund checking account and the checking account for the reimbursable federal programs. The time spent on the inter-account transfers takes away from time that would otherwise be available to properly reconcile all district accounts.

During my testing, I noted that all bank reconciliations are not always prepared timely. Some differences, though small in amount, were left unresolved from month to month. I noted these instances in the two clearing fund bank reconciliations and in the general operating fund bank reconciliation.

Recommendation

I recommend that the school district refine the system of bank reconciliations to provide for a more timely, accurate reconciliation for each district checking account. Time may be captured to complete the bank reconciliations by combining the general operating fund checking account with the account used for all reimbursable federal programs. All un-reconciled differences between the bank balances and book balances for each account should be investigated on a timely basis, regardless of the amount of the difference.

2007-02. Finding Lack of segregation of duties in local school activity fund receipting/handling

A lack of segregation of duties exists at the local schools in the area of cash receipting/handling for student activity fund accounts. The following duties are combined for one person at each school:

- Cash receipts
- Coding of cash receipts
- Preparation of deposits
- Transportation of deposits

This increases the risk that unauthorized or inappropriate transactions could be processed and not be detected by school district business department employees in the normal course of their day-to-day duties. As in many public school districts, staff is limited at the local school level. Limited staff at each location is likely the main reason for this lack of segregation of duties.

Recommendation

While the best course of action would be to increase staff size, this is probably not feasible for all locations. The school district should explore compensating controls that would allow a system of checks and balances in the cash receipt/handling function of student activity fund monies.

2007-03. Finding Weakness in controls surrounding fund-raising and entrepreneurial ventures

School district management is responsible for establishing a proper internal control system to insure asset accountability and financial reporting accuracy for all district funds. Monies generated through fund-raising events at the local schools and monies generated through Entrepreneurial Programs should be accounted for and reported in a way that will capture all revenues generated through the

fund-raisers and all profits made and protect the assets associated with the fund-raisers.

Controls surrounding the sale of goods through the Entrepreneurial Programs at one school were found to be weak to non-existent. There was no system established for authorizing sales prices for goods, tracking of inventory purchased, control over safeguarding of inventory, or reconciliation of sales and profits to receipts turned in.

Controls surrounding fund-raisers at all locations were found to be weak with respect to a formal system for authorizing sales prices for goods or for reconciling sales and profits to receipts turned in.

Recommendation

The school district should establish controls and independent verifications to ensure that all fund-raisers and related programs function in such a way as to ensure that all sales and profits associated with the events are deposited timely and the realized profit is reasonable and independently verified. Controls should be established to protect the assets associated with the fund-raiser and related program events, including the goods held for sale and the proceeds from the sales.

Section 3: Federal Award Findings and Questioned Costs

Control Deficiencies considered to be a Significant Deficiencies

2007-04. Finding Cash Management – Title I grants – controls did not prevent excess requests of cash

Program: Title I grants to Local Educational Agencies, Passed-through the Mississippi Department of Education: CFDA # 84.010

Compliance Requirement: Cash Management

School district management is responsible for maintaining a system of requesting cash draw-downs from the Mississippi Department of Education for the Title I program that will minimize the time between the cash being received by the school district and the cash actually being used by the district to pay claims dockets and payrolls of the Title I program.

I tested cash draw-downs in the Title I program for three months. I specifically tested Fund 2211 draw-downs. The months of October 2006, January 2007, and February 2007 were chosen. I found that during the month of January 2007, the district requested a draw of $120,000 and that during the month of February 2007 the districted requested a draw of $86,598.34 when neither month's cash requirements would have required a draw at all. The school district ended the fiscal year at June 30, 2007, with a more than insignificant balance of cash on hand.

I do not know how the numbers were computed for the draw-downs. The special programs department had experienced a change in personnel during the fiscal year.

Recommendation

The school district should develop procedures to properly draw down Title I reimbursements to provide for all cash requirement needs in the month between the draw-down and the next possible cash draw-down request. The school district should make sure that excess cash is not requested.

2007-05. Finding Availability of Funds – Improving Teacher Quality – No system to ensure compliance with 85%/15-month Rule

Program: Improving Teacher Quality - State Grants, Passed-through the Mississippi Department of Education: CFDA # 84.367

Compliance Requirement: Availability of Funds

The Fiscal Year 2006 allocation for Improving Teacher Quality - State Grants funds was $155,844. Under this compliance requirement, the school district must expend at least 85% of the allocation in the first 15 months of the grant award or request a waiver from the Mississippi Department of Education. At September 30, 2006, the district had not spent the required 85%, and no waiver was requested. The district had expended $100,084, or 64% of the allocation.

There is no questioned cost associated with this non-compliance. The district is responsible for developing a system or process through which funds will be obligated and expended during the period of availability.

Recommendation

The district should begin a monitoring process to review funds prior to the 15-month mark for spending to make sure that at least 85% of the funds are used by this time. When the funds are not used, the district should request a waiver from the Mississippi Department of Education. Such a waiver may be obtained once every three years.

WEST JASPER CONSOLIDATED SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

Kaye Patrick
Superintendent

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

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

West Jasper School District

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

West Jasper Consolidated School District
Auditee's Corrective Action Plan
For the year Ended June 30, 2007

Section 2: Financial Statement Findings

Control Deficiencies considered to be a Significant Deficiencies

2007-01. Finding

The school district is responsible for designing and establishing a system of reporting and asset controls to make sure that school district assets are protected and that the financial records and statements are accurate and correct in all material respects. One of the ways that this can be accomplished is by preparing timely and fully completed bank reconciliations for all school district bank accounts.

The district maintains a separate checking account for all reimbursable federal programs, and a great deal of time is spent each month moving monies between the general operating fund checking account and the checking account set up for the reimbursable federal programs. As the district is waiting for the reimbursements to be made, the amounts are shown as outstanding deposits and debits on the two bank statement reconciliations. In fact, the amounts are really interfund loans. During my testing, I noted that all bank reconciliations are not always prepared timely. Some differences, though small in amount, are left unresolved from month to month. I noted these instances in the two large clearing fund bank reconciliations and in the general operating fund bank reconciliation.

The school district has limited staff available in the central office, and reconciliation differences can take a great deal of time to pinpoint and resolve. The time spent on the inter-account transfers takes away from time that would otherwise be available to properly reconcile all district accounts.

Recommendation

I recommend that the school district refine the system of bank reconciliations to provide for more timely, accurate reconciliation for each district checking account. Time may be captured to complete the bank reconciliations by combining the general operating fund checking account with the account used for all reimbursable federal programs. All un-reconciled differences between the bank balances and book balances for each account should be investigated on a timely basis, regardless of the amount of the difference.

District Response:

We will investigate combining the reimbursable program bank account and the general operating fund bank account. Such a change will be discussed thoroughly with the software vendor.

This should provide much-needed time to concentrate on small un-reconciled differences.

2007-02. Finding

A lack of segregation of duties exists at the local schools in the area of cash receipt/handling for student activity fund accounts. The following duties are combined for one person at each school:

- Cash receipts
- Coding of cash receipts
- Preparation of deposits
- Transportation of deposits

This increases the risk that unauthorized or inappropriate transactions could be processed and not be detected by school district business department employees in the normal course of their day-to-day duties. As in many public school districts, staff is limited at the local school level. The limited staff size is likely the main reason for this lack of segregation of duties.

Recommendation

While the best course of action would be to increase staff size, this is probably not feasible for all locations. The school district should explore compensating controls that would allow a system of checks and balances in the cash receipt/handling function of student activity fund monies.

District Response:

Budget restraints prohibit hiring additional staff at each school. We will begin an independent authorization of fund-raiser profits immediately. This independent verification will focus on larger amounts of cash being infused into the funds.

Control Deficiency considered to be a material weakness:

2007-03. Finding

School district management is responsible for establishing a proper internal control system to insure asset accountability and financial reporting accuracy for all district funds. Monies generated through fund-raising events at the local school and monies generated through Entrepreneurial programs should be accounted for and reported in a way that will capture all revenues generated through the fund-raisers and all profits made and protect the assets associated with the fund-raisers.

Controls surrounding the sale of goods through the Entrepreneurial Programs at one school were found to be weak to non-existent. There was no system established for authorizing sales prices for goods, tracking of inventory purchased, control over safeguarding of inventory, or reconciliation of sales and profits to receipts turned it.

Controls surrounding fund-raisers at all locations were found to be weak with respect to a formal system for authorizing sales prices for goods or for reconciling sales and profits to receipts turned in.

Recommendation

The school district should establish controls and independent verifications to ensure that all fund-raisers and related programs function in such a way as to ensure that all sales and profits associated with the events are deposited timely and the realized profit is reasonable and independently verified. Controls should be established to protect the assets associated with the fund-raiser and related program events, including the goods held for sale and the proceeds from the sales.

District Response:

We will begin an independent verification of activity fund fund-raiser profits immediately.

Section 3: Federal Award Findings and Questioned Costs

Control Deficiencies considered to be a Significant Deficiencies

2007-04. Finding

Program: Title I grants to Local Educational Agencies, Passed-through the Mississippi Department of Education: CFDA #84.010

Compliance Requirement: Cash Management

School district management is responsible for maintaining a system of requesting cash draw-downs form the Mississippi Department of Education for the Title I program that will minimize the time between the cash being received by the school district and the cash actually being used by the district to pay claims dockets and payrolls of the Title I program.

I tested cash draw-downs in the Title I program for three months. I specifically tested Fund 2211 draw-downs. The months of October 2006, January 2007, and February 2007 were chosen. I found that during the month of January 2007, the district requested a draw of $120,000 and that during the month of February 2007 the district requested a draw of $86,598.34 when neither month's cash requirements would have required a draw at all. The school district ended the fiscal year at June 30, 2007, with a more than insignificant balance of cash on hand.

It is not clear why these amounts were drawn down. The special programs department had experienced a change in personnel during the fiscal year.

Recommendation

The school district should develop procedures to properly draw down Title I reimbursements to provide for all cash requirement needs in the month between the draw-down and the next possible cash draw-down request. The school district should make sure that excess cash is not requested.

District Response:

We will provide training for the Special Program personnel preparing the draw-downs each month. The Business Manager will help with the training and serve as a resource person in the future for the draw-downs.

2007-05. Finding

Program: Improving Teacher Quality- State Grants, Passed-through the Mississippi Department of Education: CFDA #84.367

Compliance Requirement: Availability of Funds

The Fiscal Year 2006 allocation for Improving Teacher Quality- State Grants funds was $155,844. Under this compliance requirement, the school district must expend at least 85% of the allocation in the first 15 months of the grant award or request a waiver from the Mississippi Department of Education. At September 30, 2006, the district had not spent the required 85% and no waiver was requested. The district had expended $100,084, or 64% of the allocation.

There is no questioned cost associated with this non-compliance. The district is responsible for developing a system or process through which funds will be obligated and expended during the period of availability.

Recommendation

The district should begin a monitoring process to review funds prior to the 15-month mark for spending to make sure that at least 85% of the funds are used by this time. When the funds are not used, the district should request a waiver from the Mississippi Department of Education. Such a waiver may be obtained once every three years.

District Response:

Our Director of Federal Programs will begin a monitoring process in August of each fiscal year.