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**EAST JASPER SCHOOL DISTRICT**

**Audited Financial Statements  
For the Fiscal Year Ended June 30, 2008**

**Cox & Palmer  
Certified Public Accountants**



**EAST JASPER SCHOOL DISTRICT  
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EAST JASPER SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

EAST JASPER SCHOOL DISTRICT

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

Superintendent and School Board  
East Jasper School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2008, which collectively comprise the East Jasper School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the East Jasper School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2009, on our consideration of the East Jasper School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is

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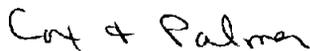
East Jasper School District  
Independent Auditor's Report

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

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 49 through 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Jasper School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

  
Cox and Palmer, P.A.  
May 5, 2009

EAST JASPER SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST JASPER SCHOOL DISTRICT

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**EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of the East Jasper School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. 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, including the effect of prior period adjustments, decreased \$327,924, which represents a 5% decrease from fiscal year 2007. This decrease in net assets is primarily due to the current year depreciation of capital assets and the issuance of new long-term debt during the fiscal year.
- General revenues accounted for \$8,584,890 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,371,865, or 22% of total revenues.
- The District had \$11,298,990 in expenses; only \$2,371,865 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,584,890 and beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,848,094 in revenues and \$8,239,329 in expenditures. After net other financing sources of \$234,368 and prior period adjustments of \$15,229, the net change in fund balance for the General Fund was a decrease of \$141,638 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$183,234 due primarily to the current year depreciation of capital assets.
- Long-term debt increased by \$123,534 due primarily to the issuance of new debt during the fiscal year.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

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

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

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

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

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is also included in this report. Also, this report includes a Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – Last Four Years and a Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds – Last Four Years as required by the Mississippi Department of Education.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,964,972 as of June 30, 2008.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$1,340,867 of the District's net assets (19%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$5,116,851 of the District's net

**EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

assets (74%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. \$507,254 of the District's net assets (7%) reflects its unrestricted net assets.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Current assets	\$ 4,220,100	\$ 3,950,352	6.8 %
Other assets	2,631,016	2,289,647	14.9 %
Capital assets, net	<u>3,297,742</u>	<u>3,480,976</u>	(5.3) %
<b>Total assets</b>	<u>10,148,858</u>	<u>9,720,975</u>	4.4 %
Current liabilities	854,465	222,192	284.6 %
Long-term debt outstanding	<u>2,329,421</u>	<u>2,205,887</u>	5.6 %
<b>Total liabilities</b>	<u>3,183,886</u>	<u>2,428,079</u>	31.13 %
<b>Net assets:</b>			
Invested in capital assets, net of related debt	1,340,867	1,345,261	(0.3) %
Restricted	5,116,851	5,014,669	2.0 %
Unrestricted	<u>507,254</u>	<u>932,966</u>	(45.6) %
<b>Total net assets</b>	<u>\$ 6,964,972</u>	<u>\$ 7,292,896</u>	(4.5) %

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

- Other assets increased from the previous fiscal year. Other assets include deferred charges and restricted assets. Restricted assets increased from the previous fiscal year due to the increase in the balance of cash and cash equivalents and investments in the MAEP Retirement Fund and the 16<sup>th</sup> Section Principal Fund.
- Capital assets decreased from the previous fiscal year due primarily to the current year depreciation of capital assets.
- Current liabilities increased from the previous fiscal year due primarily to an increase in accounts payable and accrued liabilities.

EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

- Long-term debt outstanding increased from the previous fiscal year due primarily to the issuance of a shortfall note payable during the fiscal year.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the decrease in the fund balance of the General Fund.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$10,956,755. The total cost of all programs and services was \$11,298,990. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 207,728	\$ 188,865	10.0 %
Operating grants and contributions	2,164,137	2,377,126	(9.0) %
General revenues:			
Property taxes	1,887,968	2,092,906	(9.8) %
Grants and contributions not restricted	5,664,385	5,413,330	4.6 %
Other	<u>1,032,537</u>	<u>757,876</u>	36.2 %
<b>Total revenues</b>	<u>10,956,755</u>	<u>10,830,103</u>	1.2 %
<b>Expenses:</b>			
Instruction	5,239,575	5,694,081	(8.0) %
Support services	4,951,371	4,341,968	14.0 %
Non-instructional	768,389	738,559	4.0 %
Sixteenth section	221,466	50,747	336.4 %
Interest and other expenses on long-term liabilities	<u>118,189</u>	<u>142,271</u>	(16.9) %
<b>Total expenses</b>	<u>11,298,990</u>	<u>10,967,626</u>	3.0 %
<b>Increase (Decrease) in net assets</b>	(342,235)	(137,523)	148.9 %
<b>Net Assets, July 1</b>	7,292,896	7,430,419	(1.9) %
<b>Prior Period Adjustments</b>	<u>14,311</u>	<u>0</u>	
<b>Net Assets, Restated, July 1</b>	<u>7,307,207</u>	<u>7,430,419</u>	(1.7) %
<b>Net Assets, June 30</b>	<u>\$ 6,964,972</u>	<u>\$ 7,292,896</u>	(4.5) %

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

- Instruction expenses decreased from the previous fiscal year due primarily to a decrease in salaries and benefits resulting from the retirement of several teachers who were replaced with teachers with less experience and a decrease in the purchase of textbooks, computer equipment and other furniture and equipment as compared with prior year.

**EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

- Support services expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits for bus drivers, transportation fuel costs, an increase in the retirement rate and an increase in expenses related to after school programs.

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>2008</u>		<u>2007</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 5,239,575	\$ (4,218,875)	\$ 5,694,081	\$ (4,440,729)
Support services	4,951,371	(4,367,382)	4,341,968	(3,801,155)
Non-instructional	768,389	(1,910)	738,559	33,106
Sixteenth section	221,466	(220,769)	50,747	(50,586)
Interest and other expenses on long-term liabilities	<u>118,189</u>	<u>(118,189)</u>	<u>142,271</u>	<u>(142,271)</u>
<b>Total expenses</b>	<u>\$ 11,298,990</u>	<u>\$ (8,927,125)</u>	<u>\$ 10,967,626</u>	<u>\$ (8,401,635)</u>

- The net cost of governmental activities for fiscal year 2008 in the amount of \$8,927,125 was financed by general revenue, which is made up of primarily property taxes of \$1,887,968 and state revenue of \$5,616,553.
- Investment earnings accounted for \$219,736 of funding.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2008, its governmental funds reported a combined fund balance of \$6,023,174. The net change in fund balance for the fiscal year was a decrease of \$13,103. \$3,188,453, or 53%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of

**EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds is a result of transfers from the General Fund and will be used for the renovation and construction of school facilities. The portion of the unreserved, undesignated fund balance reported in the Permanent Funds is a result of earnings on sixteenth section investments that have not yet been transferred to the 16<sup>th</sup> Section Interest Fund but may be transferred in the future. The remaining fund balance of \$2,834,721, or 47%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of \$141,638 due to the deficiency of revenues and other financing sources over expenditures and other financing uses during the fiscal year. The net change in fund balance for the 16<sup>th</sup> Section Interest Fund for the fiscal year was a decrease of \$105,934 due primarily to the transfer of funds to the General Fund. The net change in fund balance for the Building Project Fund for the fiscal year was a decrease of \$1,735. The net change in fund balance for the 16<sup>th</sup> Section Principal Fund for the fiscal year was an increase of \$286,553 resulting from sixteenth section revenues generated during the fiscal year primarily from oil and gas royalties and earnings on sixteenth section investments. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$50,349 due to the deficiency of revenues and other financing sources over expenditures and other financing uses in various nonmajor funds.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Revisions were made to reflect changes in specific revenue and expenditure line items as needed, to reflect proceeds of loans and insurance loss recoveries received during the fiscal year, to reflect sixteenth section expenditures incurred during the fiscal year and for various other purposes. The budget revisions made during the fiscal year were considered routine in nature and were not significant when compared to overall revenues and expenditures.

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

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

**Capital Assets.** As of June 30, 2008, the District's total capital assets, before depreciation, were \$6,879,466, including land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$83,490 from the previous year due primarily to the

**EAST JASPER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

completed restroom addition and the purchase of various items of mobile equipment and furniture and equipment. Total depreciation expense for the year was \$266,724. Total accumulated depreciation as of June 30, 2008 was \$3,581,724, resulting in total net capital assets of \$3,297,742.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 1,500	\$ 1,500	0.0 %
Construction in progress	-	37,326	(100.0) %
Buildings	2,418,621	2,426,770	(0.3) %
Building improvements	62,778	68,485	(8.3) %
Improvements other than buildings	160,030	168,522	(5.0) %
Mobile equipment	519,988	630,601	(17.5) %
Furniture and equipment	78,065	81,724	(4.5) %
Leased property under capital leases	56,760	66,048	(14.1) %
<b>Total</b>	<u>\$ 3,297,742</u>	<u>\$ 3,480,976</u>	(5.3) %

**Debt Administration.** At June 30, 2008, the District had \$2,329,421 in limited obligation bonds and other long-term debt outstanding, of which \$278,207 is due within one year. During the fiscal year, the District received proceeds from a shortfall note payable in the amount of \$278,076. The District also made principal payments totaling \$160,540 on existing long-term debt.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Limited obligation bonds payable	\$ 1,676,000	\$ 1,790,000	(6.4) %
Certificates of participation payable	292,018	324,838	(10.1) %
Shortfall notes payable	278,076	-	
Obligations under capital leases	7,157	20,877	(65.7) %
Compensated absences payable	76,170	70,172	8.5 %
<b>Total</b>	<u>\$ 2,329,421</u>	<u>\$ 2,205,887</u>	5.6 %

## **CURRENT ISSUES**

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

EAST JASPER SCHOOL DISTRICT

FINANCIAL STATEMENTS

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,421,846
Investments	1,846,968
Due from other governments	848,452
Accrued interest receivable	96,432
Inventories	6,402
Deferred charges	18,300
Restricted assets	2,612,716
Capital assets, non-depreciable:	
Land	1,500
Capital assets, net of accumulated depreciation:	
Buildings	2,418,621
Building improvements	62,778
Improvements other than buildings	160,030
Mobile equipment	519,988
Furniture and equipment	78,065
Leased property under capital leases	56,760
<b>Total Assets</b>	<u>10,148,858</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	766,585
Due to other governments	2,276
Unearned revenue	40,781
Interest payable on long-term liabilities	44,823
Long-term liabilities, due within one year	
Capital related liabilities	181,947
Non-capital related liabilities	96,260
Long-term liabilities, due beyond one year	
Capital related liabilities	1,793,228
Non-capital related liabilities	257,986
<b>Total Liabilities</b>	<u>3,183,886</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,340,867
Restricted net assets:	
Expendable:	
School - based activities	1,600,332
Debt service	100,352
Capital improvements	733,023
Forestry improvements	122,823
Unemployment benefits	26,146
Non-expendable:	
Sixteenth section	2,534,175
Unrestricted	507,254
<b>Total Net Assets</b>	<u>\$ 6,964,972</u>

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

EAST JASPER SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 5,239,575	\$ 107,374	\$ 913,326	\$ -	\$ (4,218,875)
Support services	4,951,371	-	583,989	-	(4,367,382)
Non-instructional	768,389	99,657	666,822	-	(1,910)
Sixteenth section	221,466	697	-	-	(220,769)
Interest and other expenses on long-term liabilities	118,189	-	-	-	(118,189)
<b>Total Governmental Activities</b>	<b>\$11,298,990</b>	<b>\$ 207,728</b>	<b>\$2,164,137</b>	<b>\$ -</b>	<b>(8,927,125)</b>
General Revenues:					
Taxes:					
General purpose levies					1,887,968
Unrestricted grants and contributions:					
State					5,616,553
Federal					47,832
Unrestricted investment earnings					219,736
Sixteenth section sources					421,361
Other					391,440
Total General Revenues					8,584,890
Change in Net Assets					(342,235)
Net Assets - Beginning					7,292,896
Prior Period Adjustments					14,311
Net Assets - Beginning - Restated					7,307,207
Net Assets - Ending					\$ 6,964,972

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

EAST JASPER SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2008

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	16th Section Interest Fund	Building Project Fund	16th Section Principal Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 185,199	\$ 212,905	\$ 720,229	\$ 760,065	\$ 303,513	\$ 2,181,911
Investments	765,175	888,922	-	1,810,181	235,341	3,699,619
Due from other governments	508,622	-	-	11,777	279,934	800,333
Accrued interest receivable	23,081	28,198	-	43,138	2,015	96,432
Due from other funds	88,184	-	-	-	3,274	91,458
Advance to other funds	-	-	-	326,027	-	326,027
Inventories	-	-	-	-	6,402	6,402
<b>Total Assets</b>	<b>1,570,261</b>	<b>1,130,025</b>	<b>720,229</b>	<b>2,951,188</b>	<b>830,479</b>	<b>7,202,182</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	381,304	185,546	-	7,691	192,044	766,585
Due to other funds	1,430	23,267	-	-	20,918	45,615
Advances from other funds	326,027	-	-	-	-	326,027
Unearned revenue	-	-	-	-	40,781	40,781
<b>Total Liabilities</b>	<b>708,761</b>	<b>208,813</b>	<b>-</b>	<b>7,691</b>	<b>253,743</b>	<b>1,179,008</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Advances	-	-	-	326,027	-	326,027
Inventory	-	-	-	-	6,402	6,402
Debt service	-	-	-	-	145,175	145,175
Unemployment benefits	-	-	-	-	26,146	26,146
Forestry improvements purposes	-	-	-	-	122,823	122,823
Permanent fund purposes	-	-	-	2,208,148	-	2,208,148
<b>Unreserved:</b>						
<b>Undesignated, reported in:</b>						
General fund	861,500	-	-	-	-	861,500
Special Revenue funds	-	921,212	-	-	263,396	1,184,608
Capital Projects funds	-	-	720,229	-	12,794	733,023
Permanent funds	-	-	-	409,322	-	409,322
<b>Total Fund Balances</b>	<b>861,500</b>	<b>921,212</b>	<b>720,229</b>	<b>2,943,497</b>	<b>576,736</b>	<b>6,023,174</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,570,261</b>	<b>\$ 1,130,025</b>	<b>\$ 720,229</b>	<b>\$ 2,951,188</b>	<b>\$ 830,479</b>	<b>\$ 7,202,182</b>

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

EAST JASPER SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,023,174
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,581,724.	3,297,742
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,329,421)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(44,823)
4. Governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	<u>18,300</u>
Total Net Assets - Governmental Activities	<u>\$ 6,964,972</u>

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

EAST JASPER SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	16th Section Interest Fund	Building Project Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$2,467,823	\$ -	\$ -	\$ -	\$ 72,170	\$2,539,993
State sources	5,342,485	-	-	-	381,693	5,724,178
Federal sources	37,786	-	-	-	2,066,558	2,104,344
Sixteenth section sources	-	276,269	-	294,244	5,447	575,960
<b>Total Revenues</b>	<b>7,848,094</b>	<b>276,269</b>	<b>-</b>	<b>294,244</b>	<b>2,525,868</b>	<b>10,944,475</b>
<b>Expenditures:</b>						
Instruction	4,208,219	-	-	-	942,146	5,150,365
Support services	3,986,151	-	-	-	702,643	4,688,794
Noninstructional services	5,101	-	-	-	753,164	758,265
Sixteenth section	31	208,913	-	7,691	4,831	221,466
Facilities acquisition and construction	3,399	-	1,735	-	165,521	170,655
Debt service:						
Principal	13,720	-	-	-	146,820	160,540
Interest	22,708	-	-	-	87,958	110,666
Other	-	-	-	-	1,300	1,300
<b>Total Expenditures</b>	<b>8,239,329</b>	<b>208,913</b>	<b>1,735</b>	<b>7,691</b>	<b>2,804,383</b>	<b>11,262,051</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(391,235)</b>	<b>67,356</b>	<b>(1,735)</b>	<b>286,553</b>	<b>(278,515)</b>	<b>(317,576)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds of loans	278,076	-	-	-	-	278,076
Insurance loss recoveries	12,280	-	-	-	-	12,280
Operating transfers in	202,930	-	-	-	258,918	461,848
Operating transfers out	(258,918)	(173,000)	-	-	(29,930)	(461,848)
<b>Total Other Financing Sources (Uses)</b>	<b>234,368</b>	<b>(173,000)</b>	<b>-</b>	<b>-</b>	<b>228,988</b>	<b>290,356</b>
<b>Net Change in Fund Balances</b>	<b>(156,867)</b>	<b>(105,644)</b>	<b>(1,735)</b>	<b>286,553</b>	<b>(49,527)</b>	<b>(27,220)</b>
<b>Fund Balances:</b>						
July 1, 2007	1,003,138	1,027,146	721,964	2,656,944	627,085	6,036,277
Prior period adjustment	15,229	(290)	-	-	(628)	14,311
July 1, 2007, as restated	1,018,367	1,026,856	721,964	2,656,944	626,457	6,050,588
(Decrease) in reserve for inventory	-	-	-	-	(194)	(194)
<b>June 30, 2008</b>	<b>\$ 861,500</b>	<b>\$ 921,212</b>	<b>\$ 720,229</b>	<b>\$2,943,497</b>	<b>\$ 576,736</b>	<b>\$6,023,174</b>

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

EAST JASPER SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (27,220)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$83,490 and the depreciation expense amounted to \$266,724.	(183,234)
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(278,076)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	160,540
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes dues.	(6,223)
5. Governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(1,830)
6. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(194)
7. 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	(5,998)
Change in Net Assets of Governmental Activities	<u>\$ (342,235)</u>

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

EAST JASPER SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 90,441
Due from other funds	<u>2,276</u>
<b>Total Assets</b>	<u>92,717</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	42,505
Due to other funds	48,119
Due to student clubs	<u>2,093</u>
<b>Total Liabilities</b>	<u>\$ 92,717</u>

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

# EAST JASPER SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

### (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.

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.

For financial reporting purposes, East Jasper School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Blended component unit.

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

The Authority is governed by a board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see note 15).

Complete financial statements for this component unit may be obtained from the school district.

# EAST JASPER SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

### B. Basis of Presentation.

#### Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

# EAST JASPER SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

The school district reports the following major governmental funds:

**General Fund** – This is the school district’s primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

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

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

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

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District’s fiduciary funds include the following:

**Payroll Clearing Fund** – This fund is used as a clearing account for payroll and payroll related transactions.

**Accounts Payable Clearing** – This fund is used as a clearing account for non-payroll transactions.

**Student Club Accounts** – These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

## EAST JASPER SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2008

#### GOVERNMENTAL FUND TYPES

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

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

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

Permanent Funds – Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

#### FIDUCIARY FUNDS

Agency Funds – Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

#### 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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

# EAST JASPER SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect on interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

### 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.

# EAST JASPER SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

### E. Encumbrances.

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

### F. Assets, liabilities, and net assets or equity.

#### 1. Cash, Cash equivalents and Investments.

##### Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

##### 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 an original maturity greater than three months when acquired.

Investments for the district, as well as for its component units, are reported at fair market value.

#### 2. Receivables and payables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

# EAST JASPER SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

### 3. Due from Other Governments.

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

### 4. 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.

### 5. Restricted Assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

### 6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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.

**EAST JASPER SCHOOL DISTRICT**

Notes to Financial Statements  
For the Year Ended June 30, 2008

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

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. **Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. 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.

8. **Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.**

In the government-wide, proprietary and component unit financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

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

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

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

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

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

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

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

# EAST JASPER SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2008

### (2) Cash and Cash Equivalents and Investments.

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

### Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,839,060 (which includes \$3,657,149 of certificates of deposit with original maturities beyond three months and reported on Exhibit C as investments) and \$90,441, respectively. The bank balance was \$6,157,480.

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

*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, 2008, none of the district's bank balance of \$6,157,480 was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of Deposits	1 year	\$ 3,657,149	N/A
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	less than 1 year	<u>42,470</u>	AAA
Total Investments		<u>\$ 3,699,619</u>	

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the 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. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	16 <sup>th</sup> Section Interest Fund	\$ 23,267
	Other governmental funds	19,335
	Fiduciary funds	45,582
Other governmental funds	General Fund	737
	Fiduciary funds	2,537
Fiduciary funds	General Fund	693
	Other governmental funds	<u>1,583</u>
Total		<u>\$ 93,734</u>

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

B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	16 <sup>th</sup> Section Principal Fund	\$ 326,027
Total		<u>\$ 326,027</u>

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

Sixteenth section principal loans payable.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 38,734	\$ 19,508	\$ 58,242
2010	41,058	17,184	58,242
2011	43,522	14,720	58,242
2012	46,133	12,109	58,242
2013	48,901	9,341	58,242
2014-2015	<u>107,679</u>	<u>9,703</u>	<u>117,382</u>
Total	<u>\$ 326,027</u>	<u>\$ 82,565</u>	<u>\$ 408,592</u>

C. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 258,918
16 <sup>th</sup> Section Interest Fund	General Fund	173,000
Other governmental funds	General Fund	<u>29,930</u>
Total		<u>\$ 461,848</u>

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

(4) Restricted Assets.

The restricted assets represent the cash balance and investment balance, totaling \$760,065, and \$1,810,181 respectively, 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. In addition the restricted assets represent the investment balance, totaling \$42,470 of the MAEP Limited Obligation Bond/Note Fund.

(5) Capital Assets.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 1,500
Construction in progress	<u>37,326</u>	<u>45,087</u>	<u>-</u>	<u>(82,413)</u>	<u>-</u>	<u>-</u>
Total non-depreciable capital assets	<u>38,826</u>	<u>45,087</u>	<u>-</u>	<u>(82,413)</u>	<u>-</u>	<u>1,500</u>
<u>Depreciable capital assets:</u>						
Buildings	4,445,672	-	-	82,413	-	4,528,085
Building improvements	142,676	-	-	-	-	142,676
Improvements other than buildings	212,306	-	-	-	-	212,306
Mobile equipment	1,516,515	14,000	-	-	-	1,530,515
Furniture and equipment	336,781	24,403	-	-	-	361,184
Leased property under capital leases	<u>103,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,200</u>
Total depreciable capital assets	<u>6,757,150</u>	<u>38,403</u>	<u>-</u>	<u>82,413</u>	<u>-</u>	<u>6,877,966</u>
<u>Less accumulated depreciation for:</u>						
Buildings	2,018,902	90,562	-	-	-	2,109,464
Building improvements	74,191	5,707	-	-	-	79,898
Improvements other than buildings	43,784	8,492	-	-	-	52,276
Mobile equipment	885,914	124,613	-	-	-	1,010,527
Furniture and equipment	255,057	28,062	-	-	-	283,119
Leased property under capital lease	<u>37,152</u>	<u>9,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,440</u>
Total accumulated depreciation	<u>3,315,000</u>	<u>266,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,581,724</u>
Total depreciable capital assets, net	<u>3,442,150</u>	<u>(228,321)</u>	<u>-</u>	<u>82,413</u>	<u>-</u>	<u>3,296,242</u>
Governmental activities capital assets, net	<u>\$ 3,480,976</u>	<u>\$ (183,234)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,297,742</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 109,414
Support services	147,680
Non-instructional	<u>9,630</u>
Total Depreciation Expense	<u>\$ 266,724</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

(6) Long-term Liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2008	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,790,000	\$ -	\$ 114,000	\$ -	\$ 1,676,000	\$ 140,000
B. Certificates of participation payable	324,838	-	32,820	-	292,018	34,790
C. Shortfall notes payable	-	278,076	-	-	278,076	88,643
D. Obligations under capital leases	20,877	-	13,720	-	7,157	7,157
E. Compensated absences payable	70,172	5,998	-	-	76,170	7,617
Total	<u>\$ 2,205,887</u>	<u>\$ 284,074</u>	<u>\$ 160,540</u>	<u>\$ -</u>	<u>\$ 2,329,421</u>	<u>\$ 278,207</u>

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, refunding bond, Series 2006	3.88%	12-15-2006	2-1-2018	<u>\$ 1,790,000</u>	<u>\$ 1,676,000</u>

Details of the district's June 30, 2008 limited obligation bonds indebtedness are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 140,000	\$ 65,029	\$ 205,029
2010	145,000	59,597	204,597
2011	151,000	53,971	204,971
2012	157,000	48,112	205,112
2013	163,000	42,020	205,020
2014-2018	<u>920,000</u>	<u>110,425</u>	<u>1,030,425</u>
Total	<u>\$ 1,676,000</u>	<u>\$ 379,154</u>	<u>\$ 2,055,154</u>

This debt will be retired from the MAEP Refunding Bonds 2006 Fund.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

B. Certificates of participation payable.

As more fully explained in Note 15, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation	6.0%	7-7-1994	7-7-2014	<u>\$ 600,000</u>	<u>\$ 292,018</u>

Details of the district's June 30, 2008 certificates of participation are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 34,790	\$ 16,477	\$ 51,267
2010	36,877	14,327	51,204
2011	39,090	12,048	51,138
2012	41,435	9,633	51,068
2013	43,921	7,072	50,993
2014-2015	<u>95,905</u>	<u>5,839</u>	<u>101,744</u>
Total	<u>\$ 292,018</u>	<u>\$ 65,396</u>	<u>\$ 357,414</u>

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

C. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Shortfall Note, Series 2008	4.5%	6-30-2008	6-30-2011	<u>\$ 278,076</u>	<u>\$ 278,076</u>

Details of the district's June 30, 2008 shortfall notes payable are as follows:

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

<u>June 30</u>	<u>Year Ending Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 88,643	\$ 12,514	\$ 101,157
2010	92,632	8,525	101,157
2011	<u>96,801</u>	<u>4,355</u>	<u>101,156</u>
Total	<u>\$ 278,076</u>	<u>\$ 25,394</u>	<u>\$ 303,470</u>

This debt will be retired from the Series 2008 Notes Debt Service Fund.

D. Obligations under capital leases.

The school district has entered into a lease agreement as lessee for financing the acquisition of two buses at a cost of \$63,200. This lease qualifies as a capital lease for accounting purposes.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Navistar Leasing Corp.	5.76%	7-22-2003	7-22-2008	<u>\$ 63,200</u>	<u>\$ 7,157</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2009	<u>\$ 7,157</u>	<u>\$ 207</u>	<u>\$ 7,364</u>

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

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

(7) Prior Year Defeasance of Debt.

In prior years, the East Jasper School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$1,676,000 of bonds outstanding are defeased.

(8) Other Commitments.

Operating leases:

The school district has three operating leases for the following:

1. Canon Copiers
2. Ricoh Duplicator

Lease expenditures for the year ended June 30, 2008, amounted to \$9,449. Future lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 11,892
2010	11,892
2011	11,892
2012	<u>2,443</u>
Total	<u>\$ 38,119</u>

(9) Defined Benefit Pension Plan.

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

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

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 employer's rate for fiscal year ended June 30, 2008 was 11.85% 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, 2008, 2007 and 2006 were \$693,942, \$648,103 and \$578,442, respectively, which equaled the required contributions for each year.

(10) Sixteenth Section Lands.

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

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2009	\$ 27,544
2010	27,544
2011	27,544
2012	27,544
2013	36,044
2014-2018	36,044
2019-2023	34,881
2024-2028	33,358
2029-2033	8,554
Thereafter	<u>4,204</u>
Total	<u>\$ 263,261</u>

(11) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct a prior year error.	<u>\$ 14,311</u>

EAST JASPER SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2008

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	To correct a prior year	\$ 15,229
16 <sup>th</sup> Section Interest Fund	error in recording an	(290)
Other governmental funds	asset or liability	<u>(628)</u>
	Total	\$ <u>14,311</u>

(12) Contingencies.

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

(13) Subsequent Events.

In April 2009, the District issued \$10,000,000 in general obligation bonds with an average interest rate of 4.34% for the purpose of building a new elementary school and to renovate, repair, and make additions to the junior high and high school. The bonds will be repaid by a special ad valorem tax levy and a pledge of revenue from the Educational Enhancement Fund.

(14) Risk Management.

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

## EAST JASPER SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2008

#### 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 95 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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, 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.

On September 30, 2005, some of the members were assessed an additional assessment depending upon their years of membership in the MSBAWCT. The District's total assessment was \$8,465.70. The balance of the District's additional assessment as of June 30, 2008 was \$2,830.70. This assessment is allowed to be repaid at a rate of 5% of their current premium per year until the total assessment is fully paid as long as they continue as members. If a member leaves the pool, they must repay the complete balance of the assessment within two years in equal installments.

#### (15) Trust Certificates.

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

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

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

## EAST JASPER SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2008

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

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

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EAST JASPER SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,836,620	\$ 2,840,431	\$ 2,467,823	\$ 3,811	\$ (372,608)
State sources	5,352,116	5,400,548	5,342,485	48,432	(58,063)
Federal sources	76,319	76,319	37,786	-	(38,533)
<b>Total Revenues</b>	<b>8,265,055</b>	<b>8,317,298</b>	<b>7,848,094</b>	<b>52,243</b>	<b>(469,204)</b>
<b>Expenditures:</b>					
Instruction	4,739,854	4,505,799	4,208,219	234,055	297,580
Support services	4,324,978	4,486,691	3,986,151	(161,713)	500,540
Noninstructional services	9,924	7,799	5,101	2,125	2,698
Sixteenth section	10,911	24,727	31	(13,816)	24,696
Facilities acquisition and construction	11,500	3,574	3,399	7,926	175
Debt service:					
Principal	13,720	13,720	13,720	-	-
Interest	22,710	22,710	22,708	-	2
<b>Total Expenditures</b>	<b>9,133,597</b>	<b>9,065,020</b>	<b>8,239,329</b>	<b>68,577</b>	<b>825,691</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(868,542)</b>	<b>(747,722)</b>	<b>(391,235)</b>	<b>120,820</b>	<b>356,487</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans	-	284,387	278,076	284,387	(6,311)
Insurance loss recoveries	-	12,280	12,280	12,280	-
Operating transfers in	412,573	446,117	202,930	33,544	(243,187)
Operating transfers out	(252,136)	(403,450)	(258,918)	(151,314)	144,532
<b>Total Other Financing Sources (Uses)</b>	<b>160,437</b>	<b>339,334</b>	<b>234,368</b>	<b>178,897</b>	<b>(104,966)</b>
<b>Net Change in Fund Balances</b>	<b>(708,105)</b>	<b>(408,388)</b>	<b>(156,867)</b>	<b>299,717</b>	<b>251,521</b>
<b>Fund Balances:</b>					
July 1, 2007	1,146,923	955,774	1,003,138	(191,149)	47,364
Prior period adjustment	-	47,124	15,229	47,124	(31,895)
July 1, 2007, as restated	1,146,923	1,002,898	1,018,367	(144,025)	15,469
June 30, 2008	\$ 438,818	\$ 594,510	\$ 861,500	\$ 155,692	\$ 266,990

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

EAST JASPER SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 16th Section Interest Fund  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ 534	\$ -	\$ 534	\$ (534)
Sixteenth section sources	<u>37,118</u>	<u>231,304</u>	<u>276,269</u>	<u>194,186</u>	<u>44,965</u>
<b>Total Revenues</b>	<u>37,118</u>	<u>231,838</u>	<u>276,269</u>	<u>194,720</u>	<u>44,431</u>
<b>Expenditures:</b>					
Sixteenth section	<u>-</u>	<u>211,801</u>	<u>208,913</u>	<u>(211,801)</u>	<u>2,888</u>
<b>Total Expenditures</b>	<u>-</u>	<u>211,801</u>	<u>208,913</u>	<u>(211,801)</u>	<u>2,888</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>37,118</u>	<u>20,037</u>	<u>67,356</u>	<u>(17,081)</u>	<u>47,319</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	75,060	75,060	-	-	(75,060)
Operating transfers out	<u>(310,115)</u>	<u>(304,937)</u>	<u>(173,000)</u>	<u>5,178</u>	<u>131,937</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(235,055)</u>	<u>(229,877)</u>	<u>(173,000)</u>	<u>5,178</u>	<u>56,877</u>
<b>Net Change in Fund Balances</b>	<u>(197,937)</u>	<u>(209,840)</u>	<u>(105,644)</u>	<u>(11,903)</u>	<u>104,196</u>
<b>Fund Balances:</b>					
July 1, 2007	1,033,181	1,027,146	1,027,146	(6,035)	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(290)</u>	<u>-</u>	<u>(290)</u>
July 1, 2007, as restated	<u>1,033,181</u>	<u>1,027,146</u>	<u>1,026,856</u>	<u>(6,035)</u>	<u>(290)</u>
<b>June 30, 2008</b>	<u>\$ 835,244</u>	<u>\$ 817,306</u>	<u>\$ 921,212</u>	<u>\$ (17,938)</u>	<u>\$ 103,906</u>

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

EAST JASPER SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2008

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Fed. Domestic Assistance <u>Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 225,954
National school lunch program	10.555	512,684
Summer food service program for children	10.559	7,093
Total child nutrition cluster		<u>745,731</u>
Total U.S. Department of Agriculture		<u>745,731</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the universal service fund	32.xxx	47,831
Total Federal Communications Commission		<u>47,831</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	466,959
Safe and drug-free schools and communities - state grants	84.186	1,579
Eisenhower professional development state grants	84.281	91
Twenty-first century community learning centers	84.287	105,660
State grants for innovative programs	84.298	1,577
Education technology state grants	84.318	202,306
Reading first state grants	84.357	139,353
Rural education	84.358	22,634
Improving teacher quality state grants	84.367	149,619
Grants for state assessments and related activities	84.369	6,816
Total		<u>1,096,594</u>
Special education cluster:		
Special education - grants to states	84.027	274,592
Special education - preschool grants	84.173	9,332
Total special education cluster		<u>283,924</u>
Total passed-through Mississippi Department of Education		<u>1,380,518</u>
Total U.S. Department of Education		<u>1,380,518</u>
Total for All Federal Awards		<u>\$ 2,174,080</u>

Notes to schedule

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

EAST JASPER SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,997,478	\$ 5,272,554	\$ 675,036	\$ 524,838	\$ 1,525,050
Other	<u>3,264,573</u>	<u>876,270</u>	<u>196,291</u>	<u>39,392</u>	<u>2,152,620</u>
Total	<u>\$ 11,262,051</u>	<u>\$ 6,148,824</u>	<u>\$ 871,327</u>	<u>\$ 564,230</u>	<u>\$ 3,677,670</u>
Total number of students *	<u>1,097</u>				
Cost per student	<u>\$ 10,265</u>	<u>\$ 5,605</u>	<u>\$ 794</u>	<u>\$ 514</u>	<u>\$ 3,352</u>

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

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

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

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

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

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

EAST JASPER SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
<b>Revenues:</b>				
Local sources	\$ 2,467,823	\$ 2,600,849	\$ 2,273,499	\$ 2,501,916
State sources	5,342,485	5,044,401	4,873,096	4,626,921
Federal sources	<u>37,786</u>	<u>74,196</u>	<u>102,966</u>	<u>33,484</u>
Total Revenues	<u>7,848,094</u>	<u>7,719,446</u>	<u>7,249,561</u>	<u>7,162,321</u>
<b>Expenditures:</b>				
Instruction	4,208,219	4,522,193	4,175,096	3,920,364
Support services	3,986,151	3,586,200	3,370,738	3,240,868
Noninstructional services	5,101	16,573	7,416	5,709
Sixteenth section	31	16,412	-	-
Facilities acquisition and construction	3,399	-	-	46,234
<b>Debt service:</b>				
Principal	13,720	12,962	12,247	11,571
Interest	<u>22,708</u>	<u>28,452</u>	<u>33,924</u>	<u>39,159</u>
Total Expenditures	<u>8,239,329</u>	<u>8,182,792</u>	<u>7,599,421</u>	<u>7,263,905</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(391,235)</u>	<u>(463,346)</u>	<u>(349,860)</u>	<u>(101,584)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	278,076	-	98,834	-
Insurance loss recoveries	12,280	5,095	228,278	801
Sale of other property	-	5,158	4,500	-
Operating transfers in	202,930	406,233	532,810	664,965
Other financing sources	-	40,095	15,467	110
Operating transfers out	<u>(258,918)</u>	<u>(319,834)</u>	<u>(1,036,492)</u>	<u>(384,977)</u>
Total Other Financing Sources (Uses)	<u>234,368</u>	<u>136,747</u>	<u>(156,603)</u>	<u>280,899</u>
Net Change in Fund Balances	<u>(156,867)</u>	<u>(326,599)</u>	<u>(506,463)</u>	<u>179,315</u>
<b>Fund Balances:</b>				
July 1	1,003,138	1,329,737	1,840,201	1,660,886
Prior period adjustments	<u>15,229</u>	<u>-</u>	<u>(4,001)</u>	<u>-</u>
July 1, as restated	1,018,367	1,329,737	1,836,200	1,660,886
June 30	<u>\$ 861,500</u>	<u>\$ 1,003,138</u>	<u>\$ 1,329,737</u>	<u>\$ 1,840,201</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

EAST JASPER SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
<b>Revenues:</b>				
Local sources	\$ 2,539,993	\$ 2,698,338	\$ 2,409,958	\$ 2,626,594
Intermediate sources	-	-	5,000	-
State sources	5,724,178	5,449,138	5,298,892	5,050,990
Federal sources	2,104,344	2,205,400	2,324,062	1,836,366
Sixteenth section sources	575,960	296,119	468,193	476,992
<b>Total Revenues</b>	<u>10,944,475</u>	<u>10,648,995</u>	<u>10,506,105</u>	<u>9,990,942</u>
<b>Expenditures:</b>				
Instruction	5,150,365	5,593,718	5,285,727	4,849,068
Support services	4,688,794	4,246,856	4,194,936	3,835,830
Noninstructional services	758,265	729,196	629,197	597,034
Sixteenth section	221,466	50,747	53,731	106,840
Facilities acquisition and construction	170,655	37,326	119,996	101,281
Debt service:				
Principal	160,540	142,759	201,457	191,128
Interest	110,666	101,505	150,464	165,985
Advance refunding escrow	-	91,000	-	-
Other	1,300	20,778	562	572
<b>Total Expenditures</b>	<u>11,262,051</u>	<u>11,013,885</u>	<u>10,636,070</u>	<u>9,847,738</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(317,576)</u>	<u>(364,890)</u>	<u>(129,965)</u>	<u>143,204</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds	-	1,790,000	-	-
Proceeds of loans	278,076	-	98,834	-
Insurance loss recoveries	12,280	5,095	228,278	801
Sale of other property	-	5,158	4,500	-
Operating transfers in	461,848	831,668	1,573,303	864,041
Other financing sources	-	40,095	17,350	12,450
Operating transfers out	(461,848)	(831,668)	(1,573,303)	(864,041)
Payment to refunded bond escrow agent	-	(1,769,870)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>290,356</u>	<u>70,478</u>	<u>348,962</u>	<u>13,251</u>
<b>Net Change in Fund Balances</b>	<u>(27,220)</u>	<u>(294,412)</u>	<u>218,997</u>	<u>156,455</u>
<b>Fund Balances:</b>				
July 1	6,036,277	6,330,517	6,121,651	5,964,722
Prior period adjustments	14,311	-	(6,501)	-
July 1, as restated	<u>6,050,588</u>	<u>6,330,517</u>	<u>6,115,150</u>	<u>5,964,722</u>
Increase (Decrease) in reserve for inventory	<u>(194)</u>	<u>172</u>	<u>(3,630)</u>	<u>474</u>
<b>June 30</b>	<u>\$ 6,023,174</u>	<u>\$ 6,036,277</u>	<u>\$ 6,330,517</u>	<u>\$ 6,121,651</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

EAST JASPER SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

EAST JASPER SCHOOL DISTRICT

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

Superintendent and School Board  
East Jasper School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of East Jasper School District as of and for the year ended June 30, 2008, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated May 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our 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, we identified certain deficiencies in the internal control over financial reporting that we 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings

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East Jasper School District  
Report on Compliance and Internal Controls

2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-6, 2008-7, 2008-8, 2008-9 and 2008-10 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated May 5, 2009, which is included in this report.

East Jasper School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit East Jasper School District's responses and, accordingly, we express no opinion on them.

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

*Cox & Palmer*

Cox and Palmer, P.A.

May 5, 2009

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

Superintendent and School Board  
East Jasper School District

Compliance

We have audited the compliance of the East Jasper School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The East Jasper School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, East Jasper School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the East Jasper School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we

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East Jasper School District  
Report on Compliance and Internal Controls

considered East Jasper School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our 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, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-11 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-11 to be a material weakness.

East Jasper School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit East Jasper School District's response and, accordingly, we express no opinion on it.

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

Cox & Palmer

Cox and Palmer, P.A.

May 5, 2009

EAST JASPER SCHOOL DISTRICT

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

EAST JASPER SCHOOL DISTRICT

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

Superintendent and School Board  
East Jasper School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jasper School District as of and for the year ended June 30, 2008, which collectively comprise East Jasper School District's basic financial statements and have issued our report thereon dated May 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$1,854 of classroom supply funds carried over from previous years.

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

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

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

MEMBER

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

East Jasper School District  
Reports on State Laws and Regulations

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

Code Section 37-61-33, Miss. Code Ann. (1972), addresses the requirements of allocating and disbursements for classroom supplies.

During the test of purchasing, the following were noted:

1. The carryover balance of classroom supply funds was not allocated.
2. The ending funds, per client prepared spreadsheets, differed from the end of year fund balance in the amount of \$748.63

Recommendation

Code section 37-61-33, Miss. Code Ann. (1972), should be followed.

School District's Response

We are well aware of the statutes that govern EEF Funds, however, this year we inadvertently neglected to properly divide the carryover.

July 1, 2008, we reallocated and distributed the balance of EEF Funds according to Code Section 37-61-33, Miss. Code Ann. (1972). Also staff development was conducted February 18, 2009, which addressed financial issues and procedures in order to expend the EEF Funds completely.

2. Finding

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

The District's financial statements were not available for audit on or before October 15, 2008. This was also a finding in the prior year.

East Jasper School District  
Reports on State Laws and Regulations

Recommendation

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

School District's Response

The District has always taken great pride in providing and submitting information in a timely manner, however this year proposed some challenging and extenuating circumstances that caused delays in reporting in a timely manner. We met the requirement for FETS nonetheless the completion of the Management's Discussion and Analysis report was delayed.

The District will follow the guidelines in Section 37-61-21(2), Miss. Code Ann. (1972). The district will insure that all reports are complete prior to October 15<sup>th</sup>, the FETS File and the Management's Discussion and Analysis report.

3. Finding

Code Section 29-3-57, Miss. Code Ann. (1972), requires that lease payments that are in default in excess of sixty days be terminated unless the Board of Education has found extenuating circumstances present.

During the course of our audit, it was found that six leases were over sixty days past due and had not been terminated, and there were three leases where payments had been accepted after the sixty day period.

Recommendation

Section 29-3-57, Miss. Code Ann. (1972), should be followed.

School District's Response

The six leases that were allowed to go past sixty days without termination were due to an oversight by our personnel. We misinterpreted the policy. Our interpretation of the policy was: Giving leases two 30 day notices and then petitioning the East Jasper school board for cancellation after 90 days.

The three leases that were allowed to be paid after the sixty (60) day period were leasers that came to the 16<sup>th</sup> Section Manager and presented extenuating circumstances as their explanation for late payments. Each leaser gave a date for payment and met that date.

Our personnel have reviewed the policy and contacted the Secretary of State's Office for the correct interpretation of the Code Section 29-3-57, Miss. Code Ann. (1972). We will adhere to the policy as set forth in Code Section 29-3-57, Miss. Code Ann. (1972), and no leases will be allowed to exceed sixty (60) days without being presented

East Jasper School District  
Reports on State Laws and Regulations

to the East Jasper school board for cancellations. Extenuating circumstances will also be presented to the East Jasper school board who will substantiate whether the circumstance is truly extenuating.

4. Finding

Code Section 25-11-127, Miss. Code Ann. (1972), addresses re-employment of PERS retirees by a school district. As part of these requirements, there is a certification process that must be followed.

During the course of our audit, it was determined there was at least one PERS retiree where proper procedures had not been followed.

Recommendation

The provisions of Code Section 25-11-127, Miss. Code Ann. (1972), should be followed.

School District's Response

It is the practice of the district to complete a *Form 4B-Retiree Information* form for retired employees who return to work. This was the first instance whereby a retired administrator returned as a consultant and was paid through accounts payable. We were not aware, at the time of her employment of the *Employee vs. Independent Contractor* form that should have been completed. However, we have since completed the form and submitted it to PERS for this individual.

The district will follow the criteria in Code Section 25-11-127(2), Miss. Code Ann. (1972) and ensure that the process of certification is adhered to in the re-employment of all PERS retirees.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The East Jasper School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

*Cox & Palmer*  
Cox & Palmer, P.A.  
May 5, 2009

EAST JASPER SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

**Financial Statements:**

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

**Federal Awards:**

- |    |   |                    |
|----|---|--------------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:                 | <u>Unqualified</u> |
| 5. | Internal control over major programs:   |                    |
| a. | Material weakness(es) identified?   | <u>No</u>          |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>Yes</u>         |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?         | <u>Yes</u>         |
| 7. | Federal programs identified as major programs:  |                    |
| a. | Program name: Title I Grants to Local Educational Agencies<br>CFDA #84.010                |                    |
| b. | Program name: Twenty-First Century<br>Community Learning Centers<br>CFDA #84.287          |                    |

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

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

Section 2: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

**2008-01**

Condition

Proper coding of expenditures.

During the test of purchasing, the following was noted:

1. Purchase order number 702072 dated July 5, 2007 was issued to United Fence Company in the amount of \$8,256. This was for enclosures around the air conditioner units and meters. This expenditure was coded as General Supplies, when it appears a more appropriate code would have been Repairs and Maintenance Services.
2. Purchase order number 702192 dated August 6, 2007 was issued to Commercial Door in the amount of \$24,850. This was coded to General Supplies, when it appears Building Improvements would have been more appropriate.
3. Purchase order number 702353 dated August 24, 2007 to Apex Sports Software was issued in the amount of \$5,445. It appears that \$1,950 of this expenditure should have been coded to Computer Equipment.

Criteria

Code Section 37-9-18(3)(b) Miss. Code Ann. (1972), requires the auditor to test for appropriate coding of expenditures.

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

Effect

Improper or confusing grouping of expenditures

Recommendation

Although the above code section applies to function codes, proper coding at the object level should also be a priority.

**2008-02**

Condition

Improper coding of revenues in the general ledger.

Criteria

Revenue codes prescribed by the State Department of Education.

During the testing of Sixteenth Section Revenue it was noted that two mineral leases totaling \$201,377.69 were coded to account number 5110-Surface Leases instead of account number 5120-Mineral Leases.

Effect

Improper coding of revenue.

Recommendation

Coding of revenue should conform to the codes as prescribed by the State Department of Education.

**2008-03**

Condition

District internal control procedures are not being followed.

Criteria

In a walk-through of the flow of receipts through the Central Office, the following controls have not been implemented:

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

1. A listing of checks received is not being timely made.
2. The bank deposits are not being compared to the check listing.
3. A hard copy of Sixteenth Section Lease payments received is not being maintained.

Effect

Lack of proper controls.

Recommendation

Implementation of these controls should begin immediately.

**2008-04**

Condition

District policy concerning activity funds is not being followed.

During the test of Activity Funds, the following items were noted:

WJBE

1. Receipt warrant number 10235 apparently was voided, but was not included in the transmittal sheets turned into the central office.
2. A copy of the invoice for check number 1053 to Classic Cookies in the amount of \$7,639.89 was not included with the transmittal sheet.

HJHS

1. Receipts are not being issued in sequence and voided receipts are not included with the transmittal sheets.

HHS

1. Checks are not being issued in sequence. Voided checks are not being accounted for.
2. Invoices were not on file to support the following checks:

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

- a. Check number 2167 in the amount of \$109.47 payable to McCoy's Building Supply.
- b. Check number 2171 in the amount of \$114.57 payable to Kroger.
- c. Check number 2174 in the amount of \$36.90 payable to MHSAA.

The above testing was performed for the month of October, 2007. The monitoring of these reports was not done until February, 2008.

Criteria

The Mississippi Department of Education prescribes proper accounting procedures in their accounting manual.

Effect

Failure to detect errors on a timely basis.

Recommendation

District policy should be followed.

**2008-05**

Condition

Proper accounting procedures are not being followed.

Interest in the amount of \$2,839.05 was not properly recorded in the District Maintenance and Payroll Clearing funds.

Interest in the amount of \$1,532.13 was not properly recorded in the District Maintenance and Accounts Payable Clearing funds.

Old outstanding checks totaling \$26,608.99 in the Payroll Clearing Fund and \$18,015.64 in the Claims Clearing Fund were not transferred back to the issuing funds.

Criteria

Proper accounting procedures.

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

Effect

Revenue not being recorded. Improper recognition of revenue.

Recommendation

Proper account procedures should be followed.

**2008-06**

Condition

Year end salary withholding payables were recorded in the individual funds and in payroll clearing in the amount of \$99,694.89.

Criteria

Proper accounting procedures.

Effect

Overstatement of assets and liabilities in the payroll clearing fund.

Recommendation

Proper year end procedures should be followed.

**2008-07**

Condition

Invoices not being paid in a timely fashion.

Check number 23978 dated May 22, 2008 in the amount of \$433.24 was issued to Purchase Power. This amount included late fees and finance charges of \$83.25.

Criteria

District policy is not being followed.

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

Effect

Incurring unnecessary expense.

Recommendation

Approved purchases should be paid in a timely fashion.

**2008-08**

Condition

Detail reports furnished to the District by Fuelman are not being fully utilized.

Fuelman is a card management system whereby fuel is purchased by the district at state contract prices. Each week a detailed report is sent by e-mail to the district on each purchase of fuel made during the week. An exception report is generated by Fuelman when an anomaly in the system is noted.

During our testing of expenditures, the following was noted concerning Fuelman purchases:

1. Users of the Fuelman cards are not always turning in their signed receipts to the district.
2. These receipts are not being matched to the weekly report on a consistent basis.

Criteria

Good accounting procedures.

Effect

Improper purchases or other problems could go undetected.

Recommendation

Each fuel receipt that is printed at the pump should be signed by the card user and turned into the district. All receipts should be matched to the weekly reports. An exception report, with explanation, should be turned in to the board on a monthly basis for review.

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

**2008-09**

Condition

Check number 4203 dated February 5, 2008 in the amount of \$60 was issued to a basketball official from the Athletic Fund. This check was not signed.

Criteria

District policy.

Effect

Unauthorized check could be negotiated.

Recommendation

District policy should be followed.

**2008-10**

Condition

Workers Compensation expenditures were overstated by \$40,104.87. A refund from the Mississippi School Board Association Workers Compensation in the amount of \$39,691 was not recorded.

Criteria

Proper recording of revenues and expenditures.

Effect

Overstatement of expenses and understatement of revenues.

Recommendation

Proper accounting procedures should be followed.

East Jasper School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008

Section 3: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses.

**2008-11**

Condition

Monitoring program expenditures.

Program: Title I Grants to Local Educational Agencies  
CFDA# 84.010

Criteria

Monitoring is one of the five components of internal control. Monitoring is a process that assesses the quality of the internal control performance over time. One of the elements that comprise monitoring is management's review of supporting documentation and allowable cost information.

Effect

Unallowable costs could be charged to the program and go undetected.

Cause

Documentation is not on file to indicate that expenditures to the program are being monitored on a timely basis.

Recommendation

A detailed general ledger and payroll journal should be reviewed monthly. Any questioned charges should be resolved. The program director should maintain documentation of this review.

EAST JASPER SCHOOL DISTRICT

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EAST JASPER SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

EAST JASPER SCHOOL DISTRICT

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**East Jasper School District**  
**Administrative Offices**



**Financial & Compliance Audit Division**

As required by Section \_\_.315(c) of OMB Circular A-133, the East Jasper School District has prepared and hereby submits the following corrective action plan for the findings included in the schedule of Findings and Questioned Costs for the year ended June 30, 2008.

Finding	Corrective Action Plan Details
<b>2008-01</b>	<p data-bbox="521 663 1321 699">a. Name of Contact Person Responsible for Corrective Action:</p> <p data-bbox="613 737 1062 842">Name: Mrs. Gwendolyn M. Taylor Title: Director of Finance Phone: 601-787-3281</p> <p data-bbox="521 884 899 919">b. Corrective Action Planned:</p> <p data-bbox="613 957 1321 1098">The exceptions noted relative to proper coding are attributed to human error. We are aware of the proper accounting codes and in the future will exercise greater caution when coding.</p> <p data-bbox="613 1140 1370 1245">When coding questionable items, we will refer to the MDE Accounting Manual and look up the correct accounting code.</p> <p data-bbox="613 1287 1370 1428">The District will adhere to the Code Section 37-9-18(3)(b), Miss. Code Ann. (1972), and also follow the recommendation of the auditor to take care in the proper coding at the object level, as well.</p> <p data-bbox="613 1470 1354 1652">Also staff development was conducted on February 18, 2009, to address this and other financial issues and proper accounting procedures as prescribed in the MDE Accounting Manual. More frequent training will be provided to our personnel.</p> <p data-bbox="521 1694 932 1730">c. Anticipated Completion Date:</p> <p data-bbox="613 1768 802 1803">February 2009</p>
<b>2008-02</b>	<p data-bbox="521 1841 1321 1877">a. Name of Contact Person Responsible for Corrective Action:</p>

East Jasper School District  
Auditee's Corrective Action Plan  
For the Year Ended June 30, 2008

Name: Mrs. Gwendolyn M. Taylor  
Title: Director of Finance  
Name: Mr. Ray Brown  
Title: 16<sup>th</sup> Section Land Manager  
Phone: 601-787-3281

b. Corrective Action Planned:

When addressing Mineral Lease revenues that were received by the district, I inadvertently recorded the funds as Surface Lease 5110 instead of Mineral Lease 5120.

District will take care to insure that the coding of revenues is properly documented in the financial statements. Furthermore, I will read more thoroughly the leases and contracts that are presented and entered into by the district.

c. Anticipated Completion Date:

On going.

2008-03

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Gwendolyn M. Taylor  
Title: Director of Finance  
Phone: 601-787-3281  
Name: Mrs. Ester Reese  
Title: District Secretary  
Phone: 601-787-3281  
Name: Mrs. Kimberly Pierce  
Title: Purchasing Agent  
Phone: 601-787-3281  
Name: Mr. Ray Brown  
Title: 16<sup>th</sup> Section Land Manager  
Phone: 601-787-3281

b. Corrective Action Planned:

For the fiscal year 2008, the listing of checks received by the district were compared to the bank deposit as recorded in the general ledger by the Director of Finance. However, I failed to provide this documentation to you during your visit with our school district; thus, you had no way of knowing that this occurred.

East Jasper School District  
Auditee's Corrective Action Plan  
For the Year Ended June 30, 2008

To the best of our ability, we were maintaining accurate records and the 16<sup>th</sup> Section manager was/is aware of when leases are paid. The system that we utilized was a system by which district office personnel wrote the receipt in a three-part receipt book (part-one was/is giver to the person who paid, part-two was/is attached to the district's big book for depositing, and part-three was/is kept bound in the 3-part receipt book that remains at the district's office. The 16<sup>th</sup> Section manager and district office personnel communicated regarding such payments through e-mail.

Although we thought that these practices were acceptable, we will adhere to the advisement of our auditors and ensure that a copy of the receipt is maintained with the leases by acquiring a four-part receipt book for the receipting of 16<sup>th</sup> Section lease payments.

Staff Development workshops were conducted in February 2009.

c. Anticipated Completion Date:

On going.

2008-04

a. Name of Contact Person Responsible for Corrective Action:

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

b. Corrective Action Planned:

Workshop was held December 5, 2008, with bookkeepers, clerical and principals to discuss activity fund accounting, receipting and purchasing.

Workshop was held February 17, 2009 to reestablish the requirements, responsibilities and accountability of the staff employed as bookkeepers, clerical, and/or administrative assistance in properly documenting money received in the district.

We will ensure that all supporting documents are attached to support the monthly transmittal reports as submitted for the activity funds.

East Jasper School District  
Auditee's Corrective Action Plan  
For the Year Ended June 30, 2008

c. Anticipated Completion Date:

On-going.

**2008-05**

a. Name of Contact Person Responsible for Corrective Action:

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

b. Corrective Action Planned:

The district has taken the necessary steps to clear out old balance sheet amounts in the Payroll Clearing Fund and the Claims Payable Clearing Fund. Beginning July 1, 2008, interest earned on the clearing accounts will be booked as interest in District Maintenance Fund 1120 as revenue cannot be booked in the agency funds. We have always listed the interest earned on these clearing funds as other liability because the Payroll Clearing Fund and the Claims Payable Clearing Fund could not show revenue and expenses. However, following this audit we will adhere to the advice of the auditor and book the interest as revenue under the District Maintenance Fund so that the revenue will not be understated.

The district has employed the assistance of the Excellence Group to help clear up the concerns involved with Payroll Clearing and Accounts Payable Clearing Funds. The district will take great care to clear out the liability.

Proper accounting procedures will be followed.

c. Anticipated Completion Date:

Fiscal Year 2009.

**2008-06**

a. Name of Contact Person Responsible for Corrective Action:

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

b. Corrective Action Planned:

East Jasper School District  
Auditee's Corrective Action Plan  
For the Year Ended June 30, 2008

Normally, it is the practice of the district to transfer all funds to Payroll Clearing Fund at June 30, 2008. However, due to cash-flow concerns it was important not to move the cash from the individual funds. When making the adjusting entries to reverse the computer generated entries in the balance sheet for the net payroll, the Director of Finance reversed salary withholding in error.

The district has employed the assistance of The Excellence Group to help clear up the concerns involved with Payroll Clearing and Accounts Payable Clearing Funds. Proper accounting procedures will be followed.

c. Anticipated Completion Date:

Fiscal Year 2009

2008-07

a. Name of Contact Person Responsible for Corrective Action:

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

b. Corrective Action Planned:

The district will adhere to School Board Policy, MS Code, and the recommendation of the auditor.

We will pay invoices in a timely manner. In February of 2009 more training was conducted and a *Claim Packet Checklist* was developed to assist with improving this process.

c. Anticipated Completion Date:

On-going.

2008-08

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Gwendolyn M. Taylor  
Title: Director of Finance  
Phone: 601-787-3281  
Name: Mr. Douglas Berry  
Title: Director of Transportation  
Phone: 601-787-3281

East Jasper School District  
Auditee's Corrective Action Plan  
For the Year Ended June 30, 2008

b. Corrective Action Planned:

In February the district implemented procedures based on good accounting practices as recommended by the auditor to verify the accuracy of all receipts from the pump and match them to the weekly reports. An exception report, with explanation, will be turned in to the East Jasper School Board on a monthly basis for review.

Each driver is given a unique number to access the fuel at the pump. The weekly reports will be reviewed and approved by the Transportation Director. The signed receipts will be left in and collected monthly. The receipts will be matched at the district office.

A Business and Finance Workshop was held February 18, 2009, for all staff of the district and use of district vehicles was addressed. The issued concerning signing and submitting all Fuelman receipts to the district office was included in this training.

c. Anticipated Completion Date:

On-going.

2008-09

a. Name of Contact Person Responsible for Corrective Action:

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

b. Corrective Action Planned:

Vouchers are completed in order to process checks for Athletic Fund. Four checks were issued on February 5, 2008, one was not signed. In this instance we believe it was an oversight.

We are taking caution that checks are properly signed and all processes are completed before checks are released. Futhermore, as of February 2009, the district has removed all checkbooks from the school buildings and now personnel must come to the Central Office to write and

East Jasper School District  
Auditee's Corrective Action Plan  
For the Year Ended June 30, 2008

process any checks. This increases our level of security, accountability, and internal controls.

c. Anticipated Completion Date:

On-going.

2008-10

a. Name of Contact Person Responsible for Corrective Action:

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

b. Corrective Action Planned:

We are working on correcting this problem in the fiscal year 2009. We are trusting that this overstatement will not occur again.

c. Anticipated Completion Date:

On-going.

2008-11

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Rhomie Keyes  
Title: Federal Program Director  
Phone: 601-787-3281  
Name: Mrs. Gwendolyn M. Taylor  
Title: Director of Finance  
Phone: 601-787-3281

b. Corrective Action Planned:

Effective immediately, the Federal Programs Director will review supporting documentation and allowable cost information and resolve any questionable information by: 1) consulting with the Director of Finance on any questionable entries; 2) signing and dating each report to indicate that it has been reviewed and approved; 3) completing review and approval within a week of receipt of reports; and 4) keeping approved reports on file in the Federal Programs' and Director of Finance's offices. A detailed general ledger and payroll journal will be reviewed

East Jasper School District  
Auditee's Corrective Action Plan  
For the Year Ended June 30, 2008

monthly. The Federal Programs and Director of Finance will participate in joint training of federal programs. The Excellence Group has provided some training this year. However, the training which is scheduled by MDE for March 9-10, 2009 for Federal Programs appears to be more extensive.

c. Anticipated Completion Date:

On-going.