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WEST POINT SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2005**

**Charles L. Shivers, CPA
Ridgeland, MS**

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FINANCIAL AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
West Point School District

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Point School District as of and for the year ended June 30, 2005, which collectively comprise the West Point School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Point School District's management. My responsibility is to express opinions on these financial statements based on my audit.

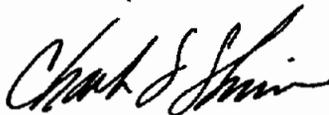
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Point School District as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 4, 2006, on my consideration of the West Point School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule and related notes on pages 47 and 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



Ridgeland, MS
April 4, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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OFFICE OF THE SUPERINTENDENT

WEST POINT SCHOOL DISTRICT

Education: "A debt of the present to future generations"

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WEST POINT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of West Point School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

The district is an accredited district as determined in the fall of 2004. Net enrollment for fall 2003 was 3,715 with 22% of the enrollment white and 78% black. Net enrollment for fall of 2002 was 3,678 with 22% of the enrollment white and 78% black. The district's attendance as a percent of enrollment was 97.14% for 2004 and 96.50% for 2003 according to the Mississippi Report Card for 2003-2004 and the Mississippi Report Card for 2002-2003, respectively.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$3,146,341, which represents an 18% decrease from fiscal year 2004. This change is the result of construction costs during the 2004-2005 fiscal year that were funded from the district's general fund.
- General revenues account for \$6,903,860 in revenue, or 27% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$19,095,933 or 73% of total revenues.
- The District had \$22,853,452 in expenses; only \$19,095,933 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,903,860 were adequate to provide for these programs.
- Among major funds, the General Fund had \$19,304,734 in revenues and \$15,794,214 in expenditures. The General Fund's fund balance increased \$2,009,861 over the prior year. This increase is the result of a reduction in excess staff by the district.
- Capital assets, net of accumulated depreciation, increased by \$389,749.
- Long-term debt decreased by \$808,460.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the 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. These reconciliations are on pages 18 and 20, respectively.

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

The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 21.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 37 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on pages 47 and 48 of this report.

A schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 41 of this report.

A schedule of instructional, administrative and other expenditures, including cost per student calculations can be found on page 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$14,582,817 as of June 30, 2005, and by \$12,001,442 as of June 30, 2004.

The largest portion of the District's net assets (47%) 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 tables present a summary of the District's net assets for the fiscal years ended June 30, 2005, and June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 11,552,797	\$ 10,476,374
Capital assets, net	<u>17,196,598</u>	<u>16,806,849</u>
Total assets	<u>28,749,395</u>	<u>27,283,223</u>
Current liabilities	2,437,346	2,199,572
Long-term debt outstanding	<u>11,729,232</u>	<u>13,514,976</u>
Total liabilities	<u>14,166,578</u>	<u>15,714,548</u>
Net assets:		
Invested in capital assets, net of related debt	6,373,598	3,740,743
Restricted	1,318,662	1,229,862
Unrestricted	<u>6,890,557</u>	<u>6,598,070</u>
Total net assets	<u>\$ 14,582,817</u>	<u>\$ 11,568,675</u>

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2005, and June 30, 2004 were \$25,999,793 and \$26,169,529, respectively. The total cost of all programs and services were \$22,853,452 and \$22,343,652, respectively. The following tables present a summary of the changes in net assets for the fiscal years ended June 30, 2005, and June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Program revenues	\$ 19,095,933	\$ 6,500,810
General revenues	<u>6,903,860</u>	<u>19,377,807</u>
Total revenues	<u>25,999,793</u>	<u>25,878,617</u>
Expenses:		
Instruction	12,934,970	12,306,870
Support services	7,625,684	7,776,547
Non-instructional	1,745,601	1,619,046
Interest on long-term liabilities	<u>547,197</u>	<u>618,320</u>
Total expenses	<u>22,853,452</u>	<u>22,245,783</u>
Increase in net assets	<u>\$ 3,146,341</u>	<u>\$ 3,623,834</u>

Governmental activities. The following tables present the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The tables also show 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>June 30, 2005</u>	
	Total <u>Expenses</u>	Net(Expense) <u>Revenue</u>
Instruction	\$ 12,934,970	\$ 3,295,292
Support services	7,625,684	(6,637,587)
Non-instructional	1,745,601	31,972
Interest on long-term liabilities	<u>547,197</u>	<u>(547,197)</u>
Total expenses	<u>\$ 22,853,452</u>	<u>\$ (3,757,519)</u>

	<u>June 30, 2004</u>	
	Total <u>Expenses</u>	Net(Expense) <u>Revenue</u>
Instruction	\$ 12,306,870	\$ (8,636,832)
Support services	7,776,547	(6,677,221)
Non-instructional	1,619,046	187,200
Sixteenth Section	0	200
Interest on long-term liabilities	<u>641,189</u>	<u>(618,320)</u>
Total expenses	<u>\$ 22,343,652</u>	<u>\$ (15,744,973)</u>

- Net cost of governmental activities (\$3,757,519 and \$3,697,606, respectively), was financed by general revenue, which is made up of primarily property taxes (\$5,204,275 and \$5,246,300, respectively).
- Investment earnings accounted for \$436,242 and \$403,760, respectively, of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the 2005 year, its governmental funds reported a combined fund balance of \$10,261,984, an increase of \$1,898,281 due primarily to the reduction in excess staff by the district. At the completion of the 2004 year, its governmental funds reported a combined fund balance of \$8,363,084, an increase of \$1,284,255 due primarily to the reduction in debt service "balloon" payments from Mississippi Adequate Education Program revenues. \$9,063,213 or 88% of the fund balance, constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the 2005 fiscal year was \$2,009,861 a result of the reduction of excess staff by the district. The fund balance of Other Governmental Funds remained consistent with the previous year. The increase in fund balance in the General Fund for the 2004 fiscal year was \$2,748,820 a result of the reduction in "balloon" debt payments from Mississippi Adequate Education Program revenues. The fund balance of Other Governmental Funds remained consistent with the previous year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, and June 30, 2004, the District's total capital assets were \$24,550,055 and \$23,714,135, respectively, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$835,920 and \$2,047,994 respectively, from the previous year. Total accumulated depreciation as of June 30, 2005, was \$7,353,457 and total depreciation expense for the year was \$683,238, resulting in total net assets of \$17,196,598. Total accumulated depreciation as of June 30, 2004, was \$6,907,286 and total depreciation expense for the year was \$606,169, resulting in total net assets of \$16,806,849.

Additional information of the District's capital assets can be found in Note 4 on page 29 of this report.

Debt Administration. At June 30, 2005, the District had \$12,706,516 in general obligation bonds and other long-term debt outstanding, of which \$984,106 is due within one year. At June 30, 2004, the District had \$13,300,692 in general obligation bonds and other long-term debt outstanding, of which \$995,906 is due within one year.

The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on pages 30 - 33 of this report.

CURRENT ISSUES

The West Point School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The operating millage has only increased .5 mills over 5 years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District increased 37 students in FY05 and 32 students in FY04.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the West Point School District, P. O. Box 656 or 429 Commerce Street, West Point, MS 39773 .

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BASIC FINANCIAL STATEMENTS

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West Point School District
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 10,375,640
Cash with fiscal agent (Note 2)	\$ 300,957
Investments (Note 2)	\$ 142,591
Due from other governments	\$ 704,083
Inventories	\$ 24,787
Restricted assets	\$ 4,739
Capital assets (Note 4)	\$ 17,196,598
Total Assets	<u>\$ 28,749,395</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,290,814
Interest payable on long-term liabilities	\$ 169,248
Long-term liabilities (Due within one year): (Note 5)	
Capital related liabilities	\$ 874,000
Non-capital related liabilities	\$ 103,284
Long-term liabilities (Due beyond one year): (Note 5)	
Capital related liabilities	\$ 9,949,000
Non-capital related liabilities	\$ 1,780,232
Total Liabilities	<u>\$ 14,166,578</u>
Net assets	
Investment in capital assets (net of related debt)	\$ 6,373,598
Restricted net assets:	
Expendable:	
School-based activities	\$ 480,529
Debt service	\$ 739,104
Forestry improvements	\$ 543
Unemployment benefits	\$ 93,747
Non-expendable:	
Sixteenth section	\$ 4,739
Unrestricted	<u>\$ 6,890,557</u>
Total Net Assets	<u>\$ 14,582,817</u>

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

West Point School District
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 12,934,970	\$ 502,098	\$ 15,728,165	\$ 3,295,293
Support services	\$ 7,625,684		\$ 1,088,097	\$ (6,537,587)
Non-instructional	\$ 1,745,601	\$ 276,311	\$ 1,501,262	\$ 31,972
Interest on long-term liabilities	\$ 547,197			\$ (547,197)
Total governmental activities	<u>\$ 22,853,452</u>	<u>\$ 778,409</u>	<u>\$ 18,317,524</u>	<u>\$ (3,757,519)</u>
General Revenues:				
Taxes:				
General purpose levies				\$ 4,464,103
Debt purpose levies				\$ 740,172
Unrestricted grants and contributions:				
State				\$ 1,010,249
Federal				\$ 237,244
Unrestricted investment earnings				\$ 436,242
Sixteenth section sources				\$ 15,850
Total General Revenues				<u>\$ 6,903,860</u>
Changes in Net Assets				<u>\$ 3,146,341</u>
Net Assets - Beginning				\$ 11,568,675
Prior period adjustments (Note 8)				\$ (132,199)
Net Assets - Beginning - Restated				<u>\$ 11,436,476</u>
Net Assets - Ending				<u>\$ 14,582,817</u>

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

West Point School District
 Balance Sheet - Governmental Funds
 June 30, 2005

Exhibit C

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents (Note 2)	\$ 9,293,678	\$ 1,086,701	\$ 10,380,379
Cash with fiscal agent (Note 2)		\$ 300,957	\$ 300,957
Investments (Note 2)		\$ 142,591	\$ 142,591
Due from other governments	\$ 181,531	\$ 522,552	\$ 704,083
Other receivables, net		\$ 826	\$ 826
Due from other funds (Note 3)	\$ 165,540	\$ 5,340	\$ 170,880
Inventories		\$ 24,787	\$ 24,787
Total Assets	\$ 9,640,749	\$ 2,083,754	\$ 11,724,503
Liabilities and Fund Balances			
Liabilities			
Accounts payable & accrued liabilities	\$ 1,006,596	\$ 284,217	\$ 1,290,813
Due to other funds (Note 3)	\$ 26,682	\$ 145,024	\$ 171,706
Total Liabilities	\$ 1,033,278	\$ 429,241	\$ 1,462,519
Fund Balances			
Reserved for			
Capital project purposes		\$ 166,603	\$ 166,603
Debt service purposes		\$ 908,352	\$ 908,352
Permanent fund purposes		\$ 4,739	\$ 4,739
Unemployment benefits		\$ 93,747	\$ 93,747
Forestry improvements		\$ 543	\$ 543
Inventory		\$ 24,787	\$ 24,787
Unreserved			
Undesignated, reported in			
General fund	\$ 8,607,471		\$ 8,607,471
Special revenue funds		\$ 455,742	\$ 455,742
Total Fund Balances	\$ 8,607,471	\$ 1,654,513	\$ 10,261,984
Total Liabilities and Fund Balances	\$ 9,640,749	\$ 2,083,754	\$ 11,724,503

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

West Point School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 10,261,984
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$17,196,598. (Note 4)	\$ 17,196,598
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds. (Note 5)	\$ (12,706,516)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (169,249)</u>
Total net assets - governmental activities	<u>\$ 14,582,817</u>

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

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

Exhibit D

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Revenues			
Local sources	\$ 5,241,691	\$ 1,192,840	\$ 6,434,531
State sources	\$ 13,825,315	\$ 1,142,825	\$ 14,968,140
Federal sources	\$ 237,728	\$ 4,343,544	\$ 4,581,272
Sixteenth section sources		\$ 15,850	\$ 15,850
Total Revenues	\$ 19,304,734	\$ 6,695,059	\$ 25,999,793
Expenditures			
Instruction	\$ 9,632,201	\$ 2,863,499	\$ 12,495,700
Support services	\$ 6,044,967	\$ 1,557,384	\$ 7,602,351
Noninstructional services		\$ 1,697,788	\$ 1,697,788
Facilities acquisition and construction		\$ 897,441	\$ 897,441
Debt service			
Principal (Note 5)	\$ 100,478	\$ 824,000	\$ 924,478
Interest	\$ 16,568	\$ 573,674	\$ 590,242
Other		\$ 6,189	\$ 6,189
Total Expenditures	\$ 15,794,214	\$ 8,419,975	\$ 24,214,189
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,510,520	\$ (1,724,916)	\$ 1,785,604
Other Financing Sources (Uses)			
Proceeds of loans (Note 5)		\$ 111,306	\$ 111,306
Sale of transportation equipment	\$ 1,205		\$ 1,205
Sale of other property	\$ 300	\$ 866	\$ 1,166
Operating transfers in (Note 3)	\$ 158,245	\$ 1,671,439	\$ 1,829,684
Operating transfers out (Note 3)	\$ (1,660,409)	\$ (169,275)	\$ (1,829,684)
Total Other Financing Sources (Uses)	\$ (1,500,659)	\$ 1,614,336	\$ 113,677
Net Change in Fund Balances	\$ 2,009,861	\$ (110,580)	\$ 1,899,281
Fund Balances			
July 1, 2004	\$ 6,597,610	\$ 1,765,475	\$ 8,363,085
Decrease in reserve for inventory		\$ (382)	\$ (382)
June 30, 2005	\$ 8,607,471	\$ 1,654,513	\$ 10,261,984

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

West Point 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, 2005

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 1,899,281
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,155,631 and the depreciation expense amounted to \$683,238. (Note 4)	\$ 472,393
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 5)	\$ 924,478
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds. (Note 5)	\$ (4,712)
Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activities. (Note 5)	\$ (111,306)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities. (Note 4)	\$ (82,644)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ 49,233
The governmental funds reported a decrease in reserve for inventory while the transaction is not reported in the statement of activities.	<u>\$ (382)</u>
Changes in net assets of governmental activities	<u>\$ 3,146,341</u>

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

West Point School District
Statement of Net Assets - Fiduciary Funds
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 74,234
Due from other funds (Note 3)	<u>\$ 21,342</u>
Total Assets	<u><u>\$ 95,576</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 369
Due to other funds (Note 3)	\$ 20,516
Due to student clubs	<u>\$ 74,691</u>
Total Liabilities	<u><u>\$ 95,576</u></u>

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

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West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

(1) Summary of Significant Accounting Policies.

The accompanying basic financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of West Point since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

The West Point Building Corporation ("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 five member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 10).

B. Basis of Presentation.

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

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ 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	*	*

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. (See Note 5 for details.)

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

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

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

L. Equity Classifications.

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between 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 capital project purposes - An account that represents a portion of the fund balance that is legally restricted for capital expenditures or expenditures for maintaining, repairing or equipping school district facilities in accordance with bonding resolutions approved by the school board.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Reserved for debt service purposes - An account that represents a portion of the fund balance that is legally restricted for the retirement of school district debt.

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

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 improvements - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

(2) Cash, Cash with Fiscal Agent, and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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 school district deposits in financial institutions are held in the name of the Mississippi 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 school district's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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). That section permits the following types of investments: (a) certificates of deposit and interest bearing accounts; (b) direct US Treasury obligations; (c) US Government agencies, US Government instrumentalities or US Government sponsored enterprise obligations; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of those securities enumerated in (b) and (c) above; (e) direct obligations of the US in open-end or closed-end of any management type investment company. 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 with Fiscal Agent.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$10,380,379 and \$74,234 respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$10,375,640 and Restricted Assets - \$4,739. The Restricted Assets represents the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$11,975,073. The carrying amount of school district's cash with fiscal agents held by financial institutions was \$300,957.

Custodial Credit Risk – Deposits. Custodial risk is the risk that in the event of a depository failure, the school district deposits may not be returned to it. The school district does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the school district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the school district.

Investments.

The school district had the following investments at year end:

Investment	Maturity	Credit Rating	Fair Value
Money Market Fund (US Treasury Notes/Bills)	Less than one Year	AAA	<u>\$ 142,591</u>

Investments are reported at fair value which is based on quoted market price.

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Major funds:		
General fund	\$ 165,540	\$ 26,682
Non-major funds	\$ 5,340	\$ 145,024
Fiduciary funds	\$ 21,342	\$ 20,516
Total funds	<u>\$ 192,222</u>	<u>\$ 192,222</u>

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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

B. Transfers In/Out.

	Transfer In	Transfers Out
Major funds:		
General fund	\$ 158,245	\$ 1,660,409
Non-major funds	\$ 1,671,439	\$ 169,275
Total funds	\$ 1,829,684	\$ 1,829,684

The purpose of the interfund transfers out of the General Fund are to finance basic operations of the district that are not directly funded (i.e., vocational education program and building projects). The transfers out in the Non-major funds are primarily the transfer of indirect cost on federal programs to the General Fund.

(4) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Completed Construction	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 199,920				\$ 199,920
Construction in progress	\$ 1,690,836	\$ 897,441		\$ (2,588,277)	\$ 0
Total non-depreciable capital assets	\$ 1,890,756	\$ 897,441	\$ 0	\$ (2,588,277)	\$ 199,920
<u>Depreciable capital assets:</u>					
Buildings	\$ 18,945,421		\$ (157,500)	\$ 2,588,277	\$ 21,376,198
Mobile equipment	\$ 1,707,771	\$ 174,060	\$ (38,500)		\$ 1,843,331
Furniture and equipment	\$ 1,170,187	\$ 84,130	\$ (123,711)		\$ 1,130,606
Total depreciable capital assets	\$ 21,823,379	\$ 258,190	\$ (319,711)	\$ 2,588,277	\$ 24,350,135
<u>Less accumulated depreciation</u>					
Buildings	\$ 5,054,352	\$ 448,592	\$ (126,000)		\$ 5,376,944
Mobile equipment	\$ 1,005,539	\$ 119,033	\$ (34,651)		\$ 1,089,921
Furniture and equipment	\$ 847,395	\$ 115,613	\$ (76,416)		\$ 886,592
Total accumulated depreciation	\$ 6,907,286	\$ 683,238	\$ (237,067)	\$ 0	\$ 7,353,457
Total depreciable capital assets, net	\$ 14,916,093	\$ (425,048)	\$ (82,644)	\$ 2,588,277	\$ 16,996,678
Governmental activities capital assets, net	\$ 16,806,849	\$ 472,393	\$ (82,644)	\$ 0	\$ 17,196,598

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 503,433
Support services	\$ 156,876
Non-instructional	\$ 22,929
Total depreciation expense	\$ 683,238

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

(5) Long-term liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Balance 6-30-2005	Amounts due within one year
A. General obligation bonds payable	\$ 2,015,000		\$ 280,000	\$ 1,735,000	\$ 305,000
B. Limited obligation bonds payable	\$ 5,315,000		\$ 275,000	\$ 5,040,000	\$ 290,000
C. Certificates of participation payable	\$ 1,175,000		\$ 55,000	\$ 1,120,000	\$ 55,000
D. Three mill notes payable	\$ 3,142,000		\$ 214,000	\$ 2,928,000	\$ 224,000
E. Obligations under energy efficiency lease	\$ 508,890		\$ 53,690	\$ 455,200	\$ 56,080
F. Qualified zone academy bonds payable	\$ 1,000,000			\$ 1,000,000	\$ 0
G. Other loans payable	\$ 227,347	\$ 111,306	\$ 46,788	\$ 291,865	\$ 47,203
H. Compensated absences payable	\$ 131,739	\$ 4,712		\$ 136,451	\$ 6,823
Total	<u>\$ 13,514,976</u>	<u>\$ 116,018</u>	<u>\$ 924,478</u>	<u>\$ 12,706,516</u>	<u>\$ 984,106</u>

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1989	6.6 – 9.0	2-1-90	2-1-10	\$ 4,500,000	\$ 1,735,000

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 305,000	\$ 120,820	\$ 425,820
2007	\$ 325,000	\$ 99,775	\$ 424,775
2008	\$ 340,000	\$ 77,350	\$ 417,350
2009	\$ 370,000	\$ 53,550	\$ 423,550
2010	\$ 395,000	\$ 37,650	\$ 432,650
Total	<u>\$ 1,735,000</u>	<u>\$ 389,145</u>	<u>\$ 2,124,145</u>

This debt will be retired from the Bond Retirement Fund (Debt Service Funds).

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2004.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

B. 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 bonds	4.4 – 6.0	2-1-98	2-1-18	\$ 6,400,000	\$ 5,040,000

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

Year Ending June 30	Year Ending		Total
	Principal	Interest	
2006	\$ 290,000	\$ 234,450	\$ 524,450
2007	\$ 305,000	\$ 217,050	\$ 522,050
2008	\$ 325,000	\$ 199,360	\$ 524,360
2009	\$ 340,000	\$ 185,060	\$ 525,060
2010	\$ 355,000	\$ 170,100	\$ 525,100
2011 – 2015	\$ 1,995,000	\$ 598,950	\$ 2,593,950
2016 – 2018	\$ 1,430,000	\$ 130,725	\$ 1,560,725
Total	\$ 5,040,000	\$ 1,735,695	\$ 6,775,695

This debt will be retired from the MAEP Bond Retirement Fund (Debt Service Funds).

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

C. Certificates of participation payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation, Series 1999	4.38-6.25	1-1-99	9-1-19	\$ 2,495,000	\$ 1,120,000

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

Year Ending June 30	Year Ending		Total
	Principal	Interest	
2006	\$ 55,000	\$ 50,429	\$ 105,429
2007	\$ 60,000	\$ 48,023	\$ 108,023
2008	\$ 60,000	\$ 45,378	\$ 105,378
2009	\$ 65,000	\$ 42,773	\$ 107,773
2010	\$ 70,000	\$ 39,929	\$ 109,929
2011 – 2015	\$ 400,000	\$ 151,157	\$ 551,157

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Year Ending June 30	Principal	Interest	Total
2016 – 2019	\$ 410,000	\$ 48,540	\$ 458,540
Total	<u>\$ 1,120,000</u>	<u>\$ 426,229</u>	<u>\$ 1,546,229</u>

This debt will be retired from the EEF Building and Bus Fund (Special Revenue Funds).

D. Three mill notes payable.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 224,000	\$ 116,061	\$ 340,061
2007	\$ 234,000	\$ 105,886	\$ 339,886
2008	\$ 241,000	\$ 95,278	\$ 336,278
2009	\$ 250,000	\$ 86,265	\$ 336,265
2010	\$ 259,000	\$ 76,915	\$ 335,915
2011 – 2015	\$ 1,408,000	\$ 221,952	\$ 1,629,952
2016	\$ 312,000	\$ 11,669	\$ 323,669
Total	<u>\$ 2,928,000</u>	<u>\$ 714,026</u>	<u>\$ 3,642,026</u>

This debt will be retired from the 3 Mill Note Retirement Fund (Debt Service Funds).

E. Obligations under energy efficiency lease.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 56,080	\$ 18,738	\$ 74,818
2007	\$ 58,570	\$ 16,241	\$ 74,811
2008	\$ 61,180	\$ 13,635	\$ 74,815
2009	\$ 63,900	\$ 10,913	\$ 74,813
2010	\$ 66,720	\$ 8,072	\$ 74,792
2011 – 2013	\$ 148,750	\$ 4,128	\$ 152,878
Total	<u>\$ 455,200</u>	<u>\$ 71,727</u>	<u>\$ 526,927</u>

An energy efficiency lease agreement dated July 15, 2002, was executed by and between the district, the lessee, and National Bank of Commerce, the lessor.

The agreement authorized the borrowing of \$600,000 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund (General Fund) and not exceed ten (10) years.

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

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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

F. Qualified zone academy bonds payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds, series 2001	None	4-15-01	4-15-15	\$ 1,000,000	\$ 1,000,000

G. Other loans payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
US Environmental Protection Agency, asbestos removal loan, 1992	None	4-17-92	5-17-13	\$ 93,589	\$ 33,451
Energy investment program loan, 2003	1	8-8-03	8-1-10	\$ 300,000	\$ 258,414
Total				\$ 393,589	\$ 291,865

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

Year Ending			
June 30	Principal	Interest	Total
2006	\$ 47,203	\$ 2,584	\$ 49,787
2007	\$ 47,623	\$ 2,164	\$ 49,787
2008	\$ 48,048	\$ 1,740	\$ 49,788
2009	\$ 48,476	\$ 1,311	\$ 49,787
2010	\$ 48,909	\$ 879	\$ 49,788
2011 - 2012	\$ 51,606	\$ 441	\$ 52,047
Total	\$ 291,865	\$ 9,119	\$ 300,984

This debt will be retired from the district maintenance fund (General Fund).

H. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$1,212,029, \$1,168,847 and \$1,103,581, respectively, which equaled the required contributions for each year.

(7) 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 there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2006	\$ 15,580
2007	\$ 15,580
2008	\$ 15,580
2009	\$ 15,580
2010	\$ 15,580
2011 – 2015	\$ 32,300
2016 – 2020	\$ 1,000
2021 – 2025	\$ 1,000
2026 – 2030	\$ 1,000
Thereafter	\$ 1,800
Total	\$ 116,350

(8) Prior Period Adjustments.

Exhibit B	Amount	Explanation
Primary Government	\$ 132,199	Correction of prior year error – lease receivable

(9) Risk Management.

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

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Trust Certificates.

A trust agreement dated August 1, 1999, was executed by and between the school district and the West Point Building Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,495,000. Approximately \$2,446,960 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$48,040 was used to pay the cost of issuance.

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

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

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

(11) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with School Specialty, Cedar Falls Project Center, has entered into such an arrangement dated February 1, 2001. The Center will donate equipment, technical assistance for curriculum development, and training mentors or internships. The Center will as conduct a complete facilities audit of the high school. These contributions are to represent at least 10% of the Qualified Zone Academy Bonds loan amount.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before March 15 of each year. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Year Ending June 30	Amount
2006	\$ 71,428
2007	\$ 71,428
2008	\$ 71,428
2009	\$ 71,428
2010	\$ 71,428
2011 – 2015	\$ 357,140
Total	\$ 714,280

(12) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated June 29, 2001 creating the West Point School District Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Point School District and the Clay County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The West Point School District has been designated as the lead school district for the consortium, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues and Expenditures and Changes in Fund Balance is presented to detail the financial activity of the consortium.

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005

Revenues

Local Sources

Tuition From Other LEA's Within the State:

Clay County School District	\$ 10,000
Total Tuition From Other LEA's Within the State	<u>\$ 10,000</u>
Total Revenues	<u>\$ 10,000</u>

Expenditures

Salaries	\$ 443,734
Employee Benefits	<u>\$ 133,798</u>
Total Expenditures	<u>\$ 577,532</u>
Excess of Revenues Over (Under) Expenditures	<u>(567,532)</u>

Other Financing Sources/Uses:

Operating Transfers In	<u>\$ 567,532</u>
Total Other Financing Sources/Uses	<u>\$ 567,532</u>

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ <u> </u> 0
Fund Balance:	
July 1, 2004	\$ <u> </u> 0
June 30, 2005	\$ <u> </u> 0

(13) Other Disclosures.

In accordance with Section 37-7-473, Miss. Code Ann. (1972), the school district sold an old school building to the National West Point Alumni Chapter to be used to promote and foster the development and improvement of the community for civic, social, educational, cultural, moral, economic or industrial welfare. The building had a historical cost of \$157,500 and a net depreciated value of \$31,500.

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SUPPLEMENTARY INFORMATION

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West Point School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>110,145</u>
Child nutrition cluster:		
School breakfast program	10.553	\$ 524,319
National school lunch program	10.555	\$ 1,048,062
Summer food service program for children	10.559	\$ <u>30,169</u>
Total child nutrition cluster		\$ <u>1,602,550</u>
Child and adult care food program	10.558	\$ <u>6,758</u>
Total U.S. Department of Agriculture		\$ <u>1,719,453</u>
<u>U.S. Department of Commerce</u>		
Passed-through Mississippi Department of Education:		
Telecommunications and information infrastructure assistance program	11.552	\$ <u>135,941</u>
Total U.S. Department of Commerce		\$ <u>135,941</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 1,124,866
Vocational education - basic grants to states	84.048	\$ 58,160
Safe and drug free schools and communities – national programs	84.184	\$ 23,488
Safe and drug-free schools and communities - state grants	84.186	\$ 30,915
Fund for the improvement of education	84.215	\$ 740
State grants for innovative programs	84.298	\$ 22,440
Comprehensive school reform demonstration	84.332	\$ 130,000
Teacher quality enhancement grants	84.336	\$ 5,000
Rural education	84.358	\$ 140,460
Improving teacher quality – state grants	84.367	\$ <u>329,981</u>
Total		\$ <u>1,866,050</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 663,650
Special education - preschool grants	84.173	\$ <u>35,531</u>
Total		\$ <u>699,181</u>
Total passed-through Mississippi Department of Education		\$ <u>2,565,231</u>
Total U.S. Department of Education		\$ <u>2,565,231</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	\$ <u>71,571</u>
Total Other Federal Assistance		\$ <u>71,571</u>
Total for All Federal Awards		\$ <u>4,492,196</u>

West Point School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The balance outstanding at June 30, 2005, of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$33,451.

West Point School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 16,872,489	\$ 11,367,853	\$ 2,221,654	\$ 3,282,982
Other	\$ 7,341,700	\$ 1,127,847	\$ 240,383	\$ 5,973,470
Total	\$ 24,214,189	\$ 12,495,700	\$ 2,462,037	\$ 9,256,452
Total number of students	<u>3,371</u>			
Cost per student	\$ <u>7,183</u>	\$ <u>3,707</u>	\$ <u>730</u>	\$ <u>2,746</u>

Notes to the schedule.

Instruction - includes the activities dealing directly with the interaction between teachers and students (all 1000 function codes).

Administration - includes expenditures for the following functions: Support Services - General Administration (2300's); Support Services - School Administration (2400's); and Support Services - Business (2500's).

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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West Point School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 5,315,223	\$ 5,241,691	\$ 5,241,691	\$ 73,532	\$ -
State sources	\$ 13,813,309	\$ 13,825,315	\$ 13,825,315	\$ (12,006)	\$ -
Federal sources	\$ 208,676	\$ 237,728	\$ 237,728	\$ (29,052)	\$ -
Sixteenth section sources	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>\$ 19,337,208</u>	<u>\$ 19,304,734</u>	<u>\$ 19,304,734</u>	<u>\$ 32,474</u>	<u>\$ -</u>
Expenditures					
Instruction	\$ 11,915,153	\$ 9,670,200	\$ 9,632,201	\$ 2,244,953	\$ 37,999
Support services	\$ 6,896,909	\$ 6,106,967	\$ 6,044,967	\$ 789,942	\$ 62,000
Debt service					
Principal	\$ 100,478	\$ 117,046	\$ 100,478	\$ (16,568)	\$ 16,568
Interest	\$ 24,123	\$ -	\$ 16,568	\$ 24,123	\$ (16,568)
Total Expenditures	<u>\$ 18,936,663</u>	<u>\$ 15,894,213</u>	<u>\$ 15,794,214</u>	<u>\$ 3,042,450</u>	<u>\$ 99,999</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 400,545</u>	<u>\$ 3,410,521</u>	<u>\$ 3,510,520</u>	<u>\$ (3,009,976)</u>	<u>\$ (99,999)</u>
Other Financing Sources (Uses)					
Sale of transportation equipment	\$ -	\$ 1,205	\$ 1,205	\$ (1,205)	\$ -
Sale of other property	\$ 2,000	\$ 300	\$ 300	\$ 1,700	\$ -
Operating transfers in	\$ 2,097,451	\$ 4,130,890	\$ 158,245	\$ (2,033,439)	\$ 3,972,645
Operating transfers out	\$ (2,754,310)	\$ (5,633,054)	\$ (1,660,409)	\$ 2,878,744	\$ (3,972,645)
Total Other Financing Sources (Uses)	<u>\$ (654,859)</u>	<u>\$ (1,500,659)</u>	<u>\$ (1,500,659)</u>	<u>\$ 845,800</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (254,314)</u>	<u>\$ 1,909,862</u>	<u>\$ 2,009,861</u>	<u>\$ (2,164,176)</u>	<u>\$ (99,999)</u>
Fund Balances					
July 1, 2004	<u>\$ 3,204,000</u>	<u>\$ 6,597,610</u>	<u>\$ 6,597,610</u>	<u>\$ (3,393,610)</u>	<u>\$ -</u>
June 30, 2005	<u>\$ 2,949,686</u>	<u>\$ 8,507,472</u>	<u>\$ 8,607,471</u>	<u>\$ (5,557,786)</u>	<u>\$ (99,999)</u>

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

West Point School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2005

(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 a date established by the Mississippi Board of Education (generally on or about September 1 of the following fiscal year). A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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Charles L. Shivers, CPA

122 Trace Ridge Drive
Ridgeland, MS 39157
Phone: (601) 853-7133

Member
AICPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
West Point School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Point School District as of and for the year ended June 30, 2005, which collectively comprise the district's basic financial statements and have issued my report thereon dated April 4, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Ridgeland, MS
April 4, 2006

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

Superintendent and School Board
West Point School District

Compliance

I have audited the compliance of the West Point School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, West Point School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Chad J. Smith". The signature is written in a cursive, flowing style.

Ridgeland, MS
April 4, 2006

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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Charles L. Shivers, CPA

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Phone: (601) 853-7133

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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
West Point School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Point School District as of and for the year ended June 30, 2005, which collectively comprise West Point School District's basic financial statements and have issued my report thereon dated April 4, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,581 of classroom supply funds carried over from previous years.

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

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



Ridgeland, MS
April 4, 2006

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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West Point School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) reported as required by section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to local educational agencies | |
| | CFDA #: 84.010 | |
| | b. Improving teacher quality – state grants | |
| | CFDA #: 84.367 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of my tests did not disclose any findings and questioned costs related to the financial statements.

Section 3: Federal Award Findings and Questioned Costs

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

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