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WEST POINT SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 opinions.

In my opinion, the financial statements referred to previously 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, 2011, 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 May 21, 2012, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Charles L. Shivers, CPA

Ridgeland, MS
May 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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WEST POINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of West Point School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 decreased \$540,513 which represents a 2.5% decrease from fiscal year 2010. Total net assets for 2010 decreased \$523,523 which represents a 2.4% decrease from fiscal year 2009.
- General revenues amounted to \$20,232,055 and \$20,872,686, or 68.7% and 70.5% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,264,885, or 31.3% of total revenues for 2011, and \$8,715,238, or 29.5% of total revenues for 2010.
- The District had \$30,037,453 and \$30,111,447 in expenses for fiscal years 2011 and 2010; only \$9,264,885 for 2011 and \$8,715,238 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,232,055 for 2011 and \$20,872,686 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,411,851 in revenues and \$20,008,955 in expenditures for 2011, and \$19,371,020 in revenues and \$20,508,326 in expenditures in 2010. The General Fund's fund balance decreased by \$973,227 from 2010 to 2011, and decreased by \$1,804,424 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$648,398 for 2011 and decreased by \$176,759 for 2010.
- Long-term debt increased by \$1,222,535 for 2011 and decreased by \$1,215,776 for 2010. This increase for 2011 was due primarily to the issuance of long-term debt. The liability for compensated absences decreased by \$18,406 for 2011 and decreased by \$21,147 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position 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 periods.

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

Fund Financial Statements

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

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

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 immediately following the basic financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$20,875,314 as of June 30, 2011.

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.

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 11,110,752	\$ 12,594,026	-11.78 %
Restricted assets	3,031,987	1,495,593	102.73 %
Capital assets, net	18,037,818	17,389,420	3.73 %
Total assets	32,180,557	31,479,039	2.23 %
Current liabilities	2,498,998	2,479,502	0.79 %
Long-term debt outstanding	8,806,245	7,583,710	16.12 %
Total liabilities	11,305,243	10,063,212	12.34 %
Net assets:			
Invested in capital assets, net of related debt	11,315,638	11,434,420	-1.04 %
Restricted	1,745,511	1,371,537	27.27 %
Unrestricted	7,814,165	8,609,870	-9.24 %
Total net assets	\$ 20,875,314	\$ 21,415,827	-2.52 %

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

- Increase in net capital assets in the amount of \$648,398.
- The principal retirement of \$4,299,059 of long-term debt and the issuance of \$5,540,000 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$29,496,940 and \$29,587,924, respectively. The total cost of all programs and services was \$30,037,453 for 2011 and \$30,111,447 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 676,403	\$ 615,863	9.83 %
Operating grants and contributions	8,588,482	8,099,375	6.04 %
General revenues:			
Property taxes	5,372,643	5,611,571	(4.26) %
Grants and contributions not restricted	14,363,036	14,644,040	(1.92) %
Investment earnings	399,256	439,071	(9.07) %
Sixteenth section sources	51,898	97,902	(46.99) %
Other	45,222	80,102	(43.54) %
Total revenues	29,496,940	29,587,924	(0.31) %
Expenses:			
Instruction	14,761,765	17,118,060	(13.76) %
Support services	12,929,504	10,568,600	22.34 %
Non-instructional	1,980,450	2,022,468	(2.08) %
Sixteenth section	0	998	(100.00) %
Interest and other expenses on long-term liabilities	365,734	401,321	(8.87) %
Total expenses	30,037,453	30,111,447	(0.25) %
Increase (Decrease) in net assets	(540,513)	(523,523)	3.25 %
Net Assets, July 1	21,415,827	21,939,350	(2.39) %
Net Assets, June 30	\$ 20,875,314	\$ 21,415,827	(2.52) %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest and other expenses on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 14,761,765	\$ 17,118,060	(13.76) %
Support services	12,929,504	10,568,600	22.34 %
Non-instructional	1,980,450	2,022,468	(2.08) %
Sixteenth section		998	(100.00) %
Interest and other expenses on long-term liabilities	365,734	401,321	(8.87) %
Total expenses	\$ 30,037,453	\$ 30,111,447	(0.25) %

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (9,682,489)	\$ (12,346,604)	(21.58) %
Support services	(10,964,237)	(8,826,599)	24.22 %
Non-instructional	239,892	179,313	33.78 %
Sixteenth section	0	(998)	(100.00) %
Interest and other expenses on long-term liabilities	(365,734)	(401,321)	(8.87) %
Total net (expense) revenue	\$ (20,772,568)	\$ (21,396,209)	(2.91) %

- Net cost of governmental activities (\$20,772,568 for 2011 and \$21,396,209 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$5,372,643 for 2011 and \$5,611,571 for 2010) and state and federal revenues (\$14,363,036 for 2011 and \$14,644,040 for 2010).
- Investment earnings amounted to \$399,256 for 2011 and \$439,071 for 2010.

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, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,547,993, an increase of \$43,206, which includes a decrease in inventory of \$14,827. \$1,528,997 or 12.2% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$11,018,996 or 87.8% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$973,227. The fund balance of Other Governmental Funds showed an increase in the amount of \$987,687, which includes a decrease in reserve for inventory of \$14,827. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
MAEP Bond Retirement Fund	\$ 28,746

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. 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 supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$28,542,240, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$1,420,155 from 2010. Total accumulated depreciation as of June 30, 2011, was \$10,504,422, and total depreciation expense for the year was \$792,105, resulting in total net capital assets of \$18,037,818.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 199,920	\$ 199,920	0.00 %
Construction in Progress	835,275	0	N/A %
Buildings	15,406,673	15,889,196	(3.04) %
Building improvements	743,318	246,328	201.76 %
Mobile equipment	340,017	378,226	(10.10) %
Furniture and equipment	512,615	675,750	(24.14) %
Total	\$ 18,037,818	\$ 17,389,420	3.73 %

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2011, the District had \$8,806,245 in outstanding long-term debt, of which \$845,555 is due within one year. The liability for compensated absences decreased \$18,406 from the prior year. The district issued \$3,540,000 in refunding bonds and \$2,000,000 in Qualified School Construction Bonds.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 0	\$ 3,425,000	(100.00) %
Limited obligation refunding bonds payable	3,130,000	0	N/A
Certificates of participation payable	740,000	810,000	(8.64) %
Three mill notes payable	1,445,000	1,720,000	(15.99) %
Obligations under energy efficiency leases	79,030	148,750	(46.87) %
Energy investment loan	0	44,140	(100.00) %
Qualified zone academy bonds payable	1,198,972	1,198,972	0.00 %
Qualified school construction bonds payable	2,000,000	0	N/A
US EPA asbestos loan	1,130	6,329	(82.15) %
Compensated absences payable	212,113	230,519	(7.98) %
Total	\$ 8,806,245	\$ 7,583,710	16.12 %

Additional information on the District's long-term debt can be found in Note 6 included in 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 District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the West Point School District, 429 Commerce Street, West Point, MS 39773.

FINANCIAL STATEMENTS

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West Point School District
Statement of Net Assets
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 9,913,983
Due from other governments	1,150,783
Other receivables, net	12,117
Inventories and prepaid items	33,869
Restricted assets (Note 4)	3,031,987
Non-depreciable capital assets (Note 5)	1,035,195
Depreciable capital assets, net (Note 5)	17,002,623
Total Assets	<u><u>32,180,557</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,594,746
Deferred credit on bonds payable Note (17)	160,204
Interest payable on long-term liabilities	744,048
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	761,000
Non-capital related liabilities	84,555
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	6,554,000
Non-capital related liabilities	1,406,690
Total Liabilities	<u><u>11,305,243</u></u>
Net assets	
Invested in capital assets, net of related debt	11,315,638
Restricted net assets	
Expendable	
School-based activities	497,627
Debt service	1,132,410
Forestry improvements	18,140
Unemployment benefits	91,128
Non-expendable	
Sixteenth section	6,206
Unrestricted	<u>7,814,165</u>
Total Net Assets	<u><u>\$ 20,875,314</u></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, 2011

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 14,761,765	473,979	4,605,297	(9,682,489)
Support services	12,929,504		1,965,267	(10,964,237)
Non-instructional	1,980,450	202,424	2,017,918	239,892
Interest and other expenses on long-term liabilities	365,734			(365,734)
Total Governmental Activities	<u>30,037,453</u>	<u>676,403</u>	<u>8,588,482</u>	<u>(20,772,568)</u>
General Revenues				
Taxes				
General purpose levies				5,021,361
Debt purpose levies				351,282
Unrestricted grants and contributions				
State				14,148,074
Federal				214,962
Unrestricted investment earnings				399,256
Sixteenth section sources				51,898
Other				45,222
Total General Revenues				<u>20,232,055</u>
Changes in Net Assets				(540,513)
Net Assets - Beginning				<u>21,415,827</u>
Net Assets - Ending				<u>\$ 20,875,314</u>

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

West Point School District
 Balance Sheet - Governmental Funds
 June 30, 2011

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	MEAP Bond Retirement Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents (Note 2)	\$ 9,913,983		1,574,521	11,488,504
Cash with fiscal agent (Note 2)			1,243,967	1,243,967
Investments (Note 2)		177,227	36,272	213,499
Due from other governments	209,929	264,528	676,326	1,150,783
Due from other funds (Note 3)	536,104			536,104
Inventories			33,869	33,869
Total Assets	10,660,016	441,755	3,564,955	14,666,726
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	1,194,402		400,344	1,594,746
Due to other funds (Note 3)			523,987	523,987
Total Liabilities	1,194,402	0	924,331	2,118,733
Fund Balances				
Nonspendable				
Inventory			33,869	33,869
Permanent fund principal			6,206	6,206
Restricted				
Debt service		441,755	1,434,703	1,876,458
Capital projects			592,820	592,820
Forestry improvements			18,140	18,140
Unemployment benefits			91,128	91,128
Grant activities			441,031	441,031
Committed				
Facility renovations and construction	6,783,298			6,783,298
Assigned				
Facility renovations and construction	1,000,000			1,000,000
Student activities	124,395			124,395
Other purposes	28,924		22,727	51,651
Unassigned	1,528,997			1,528,997
Total Fund Balances	9,465,614	441,755	2,640,624	12,547,993
Total Liabilities and Fund Balances	\$ 10,660,016	441,755	3,564,955	14,666,726

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, 2011

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,547,993
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 and therefore are not reported in the governmental funds, net of accumulated depreciation of \$10,504,422.	18,037,818
Long-term deferred credit on bonds payable is not due and payable in the current period and therefore not reported in the governmental funds.	(160,204)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(8,806,245)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(744,048)</u>
Total Net Assets - Governmental Activities	<u>\$ 20,875,314</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, 2011

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	MEAP Bond Retirement Fund	Other Governmental Funds	
Revenues				
Local sources	\$ 5,968,677	8	663,359	6,632,044
State sources	13,228,212	529,056	908,223	14,665,491
Federal sources	214,962		7,887,323	8,102,285
Sixteenth section sources			51,898	51,898
Total Revenues	19,411,851	529,064	9,510,803	29,451,718
Expenditures				
Instruction	9,081,538		5,614,282	14,695,820
Support services	10,799,667		2,058,798	12,858,465
Noninstructional services			1,934,136	1,934,136
Facilities acquisition and construction			835,275	835,275
Debt service				
Principal (Note 6)	119,059	410,000	345,000	874,059
Interest	5,539	46,460	97,969	149,968
Other	3,152	48,524	4,123	55,799
Total Expenditures	20,008,955	504,984	10,889,583	31,403,522
Excess (Deficiency) of Revenues Over Expenditures	(597,104)	24,080	(1,378,780)	(1,951,804)
Other Financing Sources (Uses)				
Proceeds of refunding bonds (Note 6)		3,540,000		3,540,000
Proceeds of loans (Note 6)			2,000,000	2,000,000
Insurances loss recoveries			230	230
Sale of transportation equipment	4,941			4,941
Operating transfers in (Note 3)	116,155		805,180	921,335
Operating transfers out (Note 3)	(497,219)		(424,116)	(921,335)
Payment to refunded bond escrow agent		(3,535,334)		(3,535,334)
Total Other Financing Sources (Uses)	(376,123)	4,666	2,381,294	2,009,837
Net Change in Fund Balances	(973,227)	28,746	1,002,514	58,033
Fund Balances				
July 1, 2010	10,438,841	413,009	1,652,937	12,504,787
Decrease in reserve for inventory			(14,827)	(14,827)
June 30, 2011	<u>\$ 9,465,614</u>	<u>441,755</u>	<u>2,640,624</u>	<u>12,547,993</u>

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, 2011

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 58,033
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,444,917 and the depreciation expense amounted to \$792,105.	652,812
The amortization of long-term deferred credit on bonds payable is reported in the Statement of Activities, but not in the governmental funds.	40,051
The repayment of the principal on long-term debt consumes current financial resources of governmental funds, but has no effect on net assets.	874,059
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets.	(2,000,000)
The advance refunding of debt resulted in additional debt to the district. The issuance of long-term debt provides financial resources to the governmental funds but has not effect on net assets.	(115,000)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(49,633)
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 net capital assets on the Statement of Activities, along with any gain or loss.	(4,414)
A decrease in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are an increase in the Statement of	(14,827)
Expenses for compensated absences reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>18,406</u>
Changes in Net Assets of Governmental Activities	<u>\$ (540,513)</u>

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

West Point School District
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 91,824
Total Assets	<u>91,824</u>
Liabilities	
Accounts payable and accrued liabilities	82
Due to other funds (Note 3)	12,117
Due to student clubs	<u>79,625</u>
Total Liabilities	<u>\$ 91,824</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, 2011

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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.

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

Blended component unit.

The 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 is 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, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 12).

C. Government-wide and Fund Financial Statements

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

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

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

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

MAEP Bond Retirement Fund - This debt service fund is financed with Mississippi Adequate Education Program funds and is used to service the outstanding Limited Obligation Refunding Bonds.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are 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. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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.

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

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

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi 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.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

F. Assets, liabilities, and net assets/fund balances

i. Cash, Cash equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

3. Due from Other Governments

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

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

Depreciation is calculated on the straight-line basis for all assets, except land and construction in progress.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Construction in progress	0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

8. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

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

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the School Board.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent or Business Manager pursuant to authorization established by the School Board.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. 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. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$11,488,504 and \$91,824, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,243,967.

Investments

As of June 30, 2011, the district had the following investments.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Investment Type	Rating	Maturities (in years)	Fair Value
Federated US Treasury Cash Reserve	N/A	Less than 1 year	\$ 177,227
Hancock Horizon Treasury Securities Money Market Mutual Funds	AAAm	Less than 1 year	36,272
Total			<u>\$ 213,499</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 523,987
	Fiduciary funds	12,117
Total		<u>\$ 536,104</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 497,219
Other governmental funds	General Fund	116,155
Other governmental funds	Other governmental funds	307,961
Total		<u>\$ 921,335</u>

The transfer out of the General Fund was for the purpose of funding the vocational program and other programs of the district. The transfer out of the other governmental fund to the General Fund was for indirect cost and expendable 16th section resources. The transfers within the other governmental funds were to finance certain federal programs.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 4 – Restricted Assets

Restricted assets consist of an asset (cash, cash with fiscal agent and investments) whose use is legally restricted and may not be used for purposes that support the district's programs, such as 16th Section Principal Fund (\$6,206), debt service funds (\$1,606,995), capital project funds (\$766,005) and the assets of various state and federal programs (\$652,781).

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 199,920			199,920
Construction in progress	0	835,275		835,275
Total non-depreciable capital assets	<u>199,920</u>	<u>835,275</u>	<u>0</u>	<u>1,035,195</u>
<u>Depreciable capital assets:</u>				
Buildings	23,572,433			23,572,433
Building improvements	282,720	529,478		812,198
Mobile equipment	1,244,102	47,301		1,291,403
Furniture and equipment	1,822,910	32,863	(24,762)	1,831,011
Total depreciable capital assets	<u>26,922,165</u>	<u>609,642</u>	<u>(24,762)</u>	<u>27,507,045</u>
<u>Less accumulated depreciation for:</u>				
Buildings	7,683,237	482,523		8,165,760
Building improvements	36,392	32,488		68,880
Mobile equipment	865,876	85,510		951,386
Furniture and equipment	1,147,160	191,584	(20,348)	1,318,396
Total accumulated depreciation	<u>9,732,665</u>	<u>792,105</u>	<u>(20,348)</u>	<u>10,504,422</u>
Total depreciable capital assets, net	<u>17,189,500</u>	<u>(182,463)</u>	<u>(4,414)</u>	<u>17,002,623</u>
Governmental activities capital assets, net	<u>\$ 17,389,420</u>	<u>652,812</u>	<u>(4,414)</u>	<u>18,037,818</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 595,423
Support services	165,195
Non-instructional	31,487
Total depreciation expense - Governmental activities	<u>\$ 792,105</u>

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Church Hill Schools Rennovations	\$ 141,911	\$ 84,226
Fifth Street School Rennovations	114,749	33,908
Alternative School Construction	578,615	301,593
Total governmental activities	<u>835,275</u>	<u>419,727</u>

Construction projects included in governmental activities are funded with proceeds of the Qualified School Construction Bond proceeds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Limited obligation bonds payable	\$ 3,425,000		3,425,000	0	
B. Limited obligation refunding bonds payable	0	3,540,000	410,000	3,130,000	420,000
C. Certificates of participation payable	810,000		70,000	740,000	75,000
D. Three mill notes payable	1,720,000		275,000	1,445,000	266,000
E. Obligations under energy efficiency leases	148,750		69,720	79,030	72,820
F. Energy investment loan payable	44,140		44,140	0	
G. Qualified zone academy bonds payable	1,198,972			1,198,972	
H. Qualified school construction bonds payable	0	2,000,000		2,000,000	
I. US EPA asbestos loan payable	6,329		5,199	1,130	1,130
J. Compensated absences payable	230,519		18,406	212,113	10,605
Total	<u>\$ 7,583,710</u>	<u>5,540,000</u>	<u>4,317,465</u>	<u>8,806,245</u>	<u>845,555</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). 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 Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness subject to the limitation was equal to -0-% of property assessments as of October 1, 2010.

A. Limited obligation bonds payable

The limited obligation bonds of the district were advance refunded during the fiscal year. See Note 6-B for more details.

B. Limited obligation refunding bonds payable

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

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, series 2010	2.5	11/30/2010	2/1/2018	\$ 3,540,000	\$ 3,130,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 420,000	\$ 67,325	\$ 487,325
2013	430,000	58,925	488,925
2014	435,000	50,325	485,325
2015	445,000	41,625	486,625
2016	455,000	32,725	487,725
2017 – 2018	945,000	36,625	981,625
Total	\$ 3,130,000	\$ 287,550	\$ 3,417,550

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.

Advance Refunding

On November 30, 2010, the district issued \$3,540,000 in state aid capital improvement refunding bonds with an interest rate of 2.5% to advance refund \$3,425,000 of outstanding state aid capital improvement bonds with an average interest rate of 5.2%. The net proceeds of \$3,535,333 after payments of \$4,667 for net issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the state aid capital improvement bonds.

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

The district advance refunded the state aid capital improvement bonds to reduce its total debt service payments over the remaining seven years of the debt by approximately \$282,203 and to realize an economic gain of \$268,614.

C. Certificates of participation payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation, series 1999	4.38-6.25	8/1/1999	9/1/2018	\$ 2,495,000	\$ 740,000

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 75,000	\$ 33,802	\$ 108,802
2013	80,000	30,502	110,502
2014	85,000	26,904	111,904
2015	90,000	23,079	113,079
2016	95,000	18,939	113,939
2017 – 2019	<u>315,000</u>	<u>29,599</u>	<u>344,599</u>
Total	<u>\$ 740,000</u>	<u>\$ 162,825</u>	<u>\$ 902,825</u>

This debt will be retired from the EEF building and bus fund (special revenue fund).

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, series 2003	4.5	6/30/2003	6/30/2016	\$ <u>2,500,000</u>	\$ <u>1,445,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 266,000	\$ 54,043	\$ 320,043
2013	278,000	44,095	322,095
2014	289,000	33,697	322,697
2015	300,000	22,889	322,889
2016	<u>312,000</u>	<u>11,669</u>	<u>323,669</u>
Total	<u>\$ 1,445,000</u>	<u>\$ 166,393</u>	<u>\$ 1,611,393</u>

This debt will be retired from the 3 mill note retirement fund (debt service fund)

E. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under energy efficiency loan, 2002	4.36	7/15/2002	6/30/2013	\$ <u>600,000</u>	\$ <u>79,030</u>

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 72,820	\$ 2,002	\$ 74,822
2013	6,210	23	6,233
Total	<u>\$ 79,030</u>	<u>\$ 2,025</u>	<u>\$ 81,055</u>

This debt will be retired from the general fund.

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

F. Energy investment loan payable

The energy investment loan was paid in full during the fiscal year.

G. Qualified zone academy bonds payable

As more fully explained in Note 13, 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
1. Qualified zone academy bonds, series 2001	0	4/15/2001	4/15/2015	\$ 599,486	\$ 599,486
2. Qualified zone academy bonds, series 2005	0	11/17/2005	11/17/2015	599,486	599,486
Total				<u>\$ 1,198,972</u>	<u>\$ 1,198,972</u>

H. Qualified school construction bonds payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, series 2010	6.04	12/17/2010	12/17/2022	\$ 2,000,000	\$ 2,000,000

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

Year Ending June 30	Principal	Interest	Total
2012	\$	\$ 120,800	\$ 120,800
2013		120,800	120,800
2014		120,800	120,800
2015		120,800	120,800
2016		120,800	120,800
2017 – 2021		604,000	604,000
2022	<u>2,000,000</u>	<u>120,800</u>	<u>2,120,800</u>
Total	<u>\$ 2,000,000</u>	<u>\$ 1,328,800</u>	<u>\$ 3,328,800</u>

This debt will be retired from the QSCB debt retirement fund (debt service fund).

I. US EPA asbestos removal loan payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
US EPA asbestos removal loan, 1992	0	4/17/1992	5/17/2012	\$ <u>93,589</u>	\$ <u>1,130</u>

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

Year Ending June 30	Principal	Interest	Total
2012	<u>\$ 1,130</u>	<u>\$ 0</u>	<u>\$ 1,130</u>

This debt will be retired from the general fund.

J. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% 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, 2011, 2010 and 2009 were \$1,683,514, \$1,829,017 and \$1,808,605, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 15,850
2013	200
2014	200
2015	200
2016	200
2017 – 2021	1,000
2022 – 2026	1,000
2027 – 2031	1,000
Thereafter	1,600
Total	<u>\$ 21,250</u>

Note 10 – Contingencies

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

Note 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 12 – Trust Certificates

A trust agreement dated August 1, 1999, was executed by and between the school district and 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 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, 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.

Note 13 – 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 at 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 Fall 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 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. The school district, in agreement with NEF Cyber Learning, has entered into such an agreement dated August 1, 2005. The agreement provides for a 10% contribution in the form of support services for a student identification system.

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. The amount on deposit at June 30, 2011 was \$1,243,960. 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 annual 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, 2011

Year Ending June 30	Amount
2012	\$ 154,401
2013	154,402
2014	154,403
2015	154,412
2016	80,961
Total	<u>\$ 698,579</u>

Note 14 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$-0-. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 0
2013	0
2014	0
2015	0
2016	0
2017 – 2021	1,783,000
2022 – 2026	217,000
Total	<u>\$ 2,000,000</u>

Note 15 – 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.

West Point School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the consortium.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2011

Revenues

Local sources:

Tuition from other LEA's within the state:

Clay County School District

\$ 10,000

Total local sources

10,000

Total Revenues

10,000

Expenditures

Salaries

337,631

Employee benefits

103,503

Total Expenditures

441,134

Excess (Deficiency) of Revenues Over (Under) Expenditures

(431,134)

Other Financing Sources/Uses:

Operating transfers in

431,134

Total Other Financing Sources/Uses

431,134

Net Change in Fund Balance

0

Fund Balance:

July 1, 2010

0

June 30, 2011

\$ 0

Note 16 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

Note 17 - Deferred credit on Bonds Payable

Upon the issuance of the interest free Quality Zone Academy Bonds, the district incurred a deferred credit on bonds payable in the amount of \$400,514 for the 2001 fiscal year issue and \$400,514 for the 2006 fiscal year issue. The deferred credit is based on imputed interest at a rate of 5.5%. This deferred credit is reported on Statement of Net Assets and as such will be amortized over the life of the bonds using the straight line method at an annual cost of \$40,051. The unamortized balance was \$160,204 at fiscal year end.

REQUIRED SUPPLEMENTAL INFORMATION

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West Point School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 6,149,321	5,968,677	5,968,677	(180,644)	0
State sources	13,565,253	13,228,212	13,228,212	(337,041)	0
Federal sources	195,306	214,962	214,962	19,656	0
Total Revenues	19,909,880	19,411,851	19,411,851	(498,029)	0
Expenditures					
Instruction	9,959,794	9,119,538	9,081,538	840,256	38,000
Support services	9,077,602	10,862,795	10,799,667	(1,785,193)	63,128
Debt service					
Principal	119,066	117,931	119,059	1,135	(1,128)
Interest	5,544	5,539	5,539	5	0
Other	0	3,152	3,152	(3,152)	0
Total Expenditures	19,162,006	20,108,955	20,008,955	(946,949)	100,000
Excess (Deficiency) of Revenues Over Expenditures	747,874	(697,104)	(597,104)	(1,444,978)	100,000
Other Financing Sources (Uses)					
Sale of transportation equipment	5,000	4,941	4,941	(59)	0
Sale of other property	2,000	0	0	(2,000)	0
Operating transfers in	2,754,521	3,748,677	116,155	994,156	(3,632,522)
Operating transfers out	(3,199,631)	(4,129,741)	(497,219)	(930,110)	3,632,522
Total Other Financing Sources (Uses)	(438,110)	(376,123)	(376,123)	61,987	0
Net Change in Fund Balances	309,764	(1,073,227)	(973,227)	(1,382,991)	100,000
Fund Balances					
July 1, 2010			10,438,841		
June 30, 2011			\$ 9,465,614		

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

West Point School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the 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 of America.

SUPPLEMENTAL INFORMATION

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West Point School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

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:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 668,840
National school lunch program	10.555	1,392,280
Summer food service program for children	10.559	18,282
Total child nutrition cluster		<u>2,079,402</u>
Total U.S. Department of Agriculture		<u>2,079,402</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	<u>105,769</u>
Total Federal Communications Commission		<u>105,769</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	53,126
Safe and drug-free schools and communities - state grants	84.186	9,453
Twenty first century community learning centers	84.287	229,746
Rural education	84.358	72,805
Improving teacher quality - state grants	84.367	245,463
Education jobs fund	84.410	684,453
Total		<u>1,295,046</u>
Education technology state grants cluster:		
Education technology - state grants	84.318	200,783
ARRA - education technology - state grants, recovery act	84.386	33,267
Total education technology state grants cluster		<u>234,050</u>
State fiscal stabilization cluster:		
ARRA - State fiscal stabilization fund - education state grants, recovery act	84.394	916,588
Total state fiscal stabilization cluster		<u>916,588</u>
Title I cluster:		
Title I - grants to local educational agencies	84.010	1,642,270
ARRA - Title I - grants to local educational agencies, recovery act	84.389	365,893
Total title I cluster		<u>2,008,163</u>
Special education cluster:		
Special education - grants to states	84.027	831,043
Special education - preschool grants	84.173	41,795
ARRA - Special education - grants to states, recovery act	84.391	482,661
ARRA - Special education - preschool grants, recovery act	84.392	21,113
Total special education cluster		<u>1,376,612</u>
Total passed-through Mississippi Department of Education		<u>5,830,459</u>
Total U.S. Department of Education		<u>5,830,459</u>

West Point School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	55,624
Total Other Federal Assistance		55,624
Total for All Federal Awards		\$ 8,071,254

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.

West Point School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2011

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 19,093,469	14,611,694	965,229	1,507,297	2,009,249
Other	15,845,387	2,797,534	259,454	29,639	12,758,760
Total	<u>\$ 34,938,856</u>	<u>17,409,228</u>	<u>1,224,683</u>	<u>1,536,936</u>	<u>14,768,009</u>
Total number of students	<u>2,878</u>				
Cost per student	<u>12,140</u>	<u>6,049</u>	<u>426</u>	<u>534</u>	<u>5,131</u>

Notes to the schedule.

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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OTHER SUPPLEMENTAL INFORMATION

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West Point School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues				
Local sources	\$ 5,968,677	5,614,545	5,602,230	5,902,993
State sources	13,228,212	13,610,090	15,241,872	15,740,034
Federal sources	214,962	146,385	366,536	208,697
Total Revenues	<u>19,411,851</u>	<u>19,371,020</u>	<u>21,210,638</u>	<u>21,851,724</u>
Expenditures				
Instruction	9,081,538	11,461,985	12,304,998	12,125,917
Support services	10,799,667	8,880,477	9,020,000	7,477,474
Facilities acquisition and construction	0	41,285	1,206,588	471,709
Debt service				
Principal	119,059	115,629	112,376	109,228
Interest	5,539	8,950	12,226	6,141
Other	3,152	0	0	0
Total Expenditures	<u>20,008,955</u>	<u>20,508,326</u>	<u>22,656,188</u>	<u>20,190,469</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(597,104)</u>	<u>(1,137,306)</u>	<u>(1,445,550)</u>	<u>1,661,255</u>
Other Financing Sources (Uses)				
Sale of transportation equipment	4,941	0	0	0
Sale of other property	0	0	0	2,000
Operating transfers in	116,155	162,015	89,103	44,892
Operating transfers out	(497,219)	(829,133)	(834,439)	(911,520)
Total Other Financing Sources (Uses)	<u>(376,123)</u>	<u>(667,118)</u>	<u>(745,336)</u>	<u>(864,628)</u>
Net Change in Fund Balances	<u>(973,227)</u>	<u>(1,804,424)</u>	<u>(2,190,886)</u>	<u>796,627</u>
Fund Balances				
July 1	10,438,841	12,243,265	14,434,151	13,637,524
June 30	<u>\$ 9,465,614</u>	<u>10,438,841</u>	<u>12,243,265</u>	<u>14,434,151</u>

* Source - Prior year audit reports.

West Point School District
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues				
Local sources	\$ 6,632,044	6,666,506	6,704,553	6,986,328
State sources	14,665,491	14,859,377	16,392,581	17,037,807
Federal sources	8,102,285	7,884,037	6,043,967	5,267,968
Sixteenth section sources	51,898	97,902	15,850	15,850
Total Revenues	29,451,718	29,507,822	29,156,951	29,307,953
Expenditures				
Instruction	14,695,820	16,532,442	16,045,037	15,627,707
Support services	12,858,465	10,985,180	10,963,136	9,148,718
Noninstructional services	1,934,136	2,001,531	2,002,565	1,890,281
Sixteenth section	0	998	0	0
Facilities acquisition and construction	835,275	42,385	1,206,588	471,709
Debt service				
Principal	4,299,059	1,194,629	1,137,376	1,075,228
Interest	244,743	323,543	379,949	432,760
Other	71,358	6,918	6,996	7,286
Total Expenditures	34,938,856	31,087,626	31,741,647	28,653,689
Excess (Deficiency) of Revenues Over Expenditures	(5,487,138)	(1,579,804)	(2,584,696)	654,264
Other Financing Sources (Uses)				
Proceeds of refunding bonds	3,540,000	0	0	0
Proceeds of loans	2,000,000	0	0	0
Insurances loss recoveries	230	0	0	0
Sale of transportation equipment	4,941	0	0	0
Sale of other property	0	0	0	2,422
Operating transfers in	921,335	991,148	923,542	1,275,126
Operating transfers out	(921,335)	(991,148)	(923,542)	(1,275,126)
Total Other Financing Sources (Uses)	5,545,171	0	0	2,422
Net Change in Fund Balances	58,033	(1,579,804)	(2,584,696)	656,686
Fund Balances				
July 1, as originally reported	12,504,787	14,076,569	16,614,024	15,949,585
Prior period adjustments	0	0	62,028	0
July 1, as restated	12,504,787	14,076,569	16,676,052	15,949,585
Increase (Decrease) in reserve for inventory	(14,827)	8,022	(14,787)	7,753
June 30	\$ 12,547,993	12,504,787	14,076,569	16,614,024

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF 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, 2011, which collectively comprise the district's basic financial statements and have issued my report thereon dated May 21, 2012. 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

Management of the school district is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a significant deficiency in internal control over financial reporting. [Finding 2011-01]. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

The school district's response to the finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Charles L Shivers, CPA

Ridgeland, MS

May 21, 2012

CHARLES L. SHIVERS

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-02 and 2011-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The school district's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Charles L. Shivers, CPA

Ridgeland, MS
May 21, 2012

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

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S 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 School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued my report thereon dated May 21, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$439 of classroom supply funds carried over from previous years.

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

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

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

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

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

Charles L. Shivers, CPA

Ridgeland, MS
May 21, 2012

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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West Point School District
 Schedule of Findings and Questioned Costs
 June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to local educational agencies cluster | |
| | CFDA #: 84.010 | |
| | CFDA #: 84.389 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | CFDA #: 84.391 | |
| | CFDA #: 84.392 | |
| | c. State fiscal stabilization fund - education state grants, recovery act | |
| | CFDA#: 84.394 | |
| | d. Education jobs fund | |
| | CFDA#: 84.410 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

Significant deficiency identified that is not considered to be a material weakness.

Finding 2011-01.

CONDITION: The business manager initiates, prepares, approves and enters all journal entries to correct, post, or otherwise cause the proper statement of the account balances and/or classes of transactions.

CRITERIA: Appropriately and properly designed internal accounting controls would have these duties segregated to the greatest extent possible.

West Point School District
Schedule of Findings and Questioned Costs
June 30, 2011

CAUSE OF CONDITION: This condition exists due to the limited staff available with adequate fund and governmental accounting knowledge.

EFFECT OF CONDITION: This condition could lead to errors being made and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties of the business manager relating to journal entries be segregated to the greatest extent possible.

Section III: Federal Award Findings and Questioned Costs

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

Finding 2011-02.

Federal Program: Title I Cluster; CFDA #84.010 and 84.389
Improving Teacher Quality – State Grants; CFDA #84.367
Compliance Requirement: Allowable Costs/Cost Principles

CONDITION: The Consolidated Administrative Cost Fund was not properly funded by all required Federal grant programs. Specifically, the fund was not funded by the Title II – Improving Teacher Quality grant.

CRITERIA: The Title II grant is required to fund the Consolidated Administrative Cost Fund by an amount equal to the maximum indirect cost that is available to be charged against the Title II grant.

EFFECT: Failure to properly fund the Consolidated Administrative Cost Fund could result in a determination of unallowable cost by oversight funding agencies.

CAUSE: The cause of the condition was a misinterpretation of the requirements for properly funding the Consolidated Administrative Cost Fund.

RECOMMENDATION: It is recommended that if the use of Consolidated Administrative Cost Fund is to continue, management should ensure that all appropriate Federal grants fund their required portion of the fund.

Finding 2011-03.

Federal Program: Special Education Cluster; CFDA#84.027, 84.173, 84.391 and 84.392
Compliance Requirement: Allowable Costs/Cost Principles

CONDITION: Indirect cost transfers from the Special Education ARRA Fund exceeded the maximum amount allowed by \$3,185.

CRITERIA: Indirect cost transfers are limited to the indirect cost rate multiplied by total expenditure of the program for the fiscal year (less any expenditure for equipment).

EFFECT: The effect of the condition could result in unallowed or questioned costs to the program.

CAUSE: The cause of the condition was the result of mistakes made in the calculation of indirect cost.

PREVALENCE: This matter is considered an isolated incident.

RECOMMENDATION: It is recommended that indirect cost be calculated using the correct methodology.

AUDITEE'S CORRECTIVE ACTION PLAN

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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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May 18, 2012

As required by Section 315(c) of OMB Circular A-133, the West Point School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011.

Finding 2011-01

Corrective Action Plan

- a. Susan A. Cothren, Business Manager
- b. Due to the limited number of business office personnel, this finding cannot be corrected.
- c. No corrective action will be taken at the present time.

Finding 2011-02

Corrective Action Plan

- a. Susan A. Cothren, Business Manager
- b. We will ensure that all appropriate Federal grants fund their required portion to the Consolidated Administrative Cost Fund in the future.
- c. This finding will be corrected during the year ending June 30, 2012.

Finding 2011-03

Corrective Action Plan

- a. Susan A. Cothren, Business Manager
- b. In the future indirect cost will be calculated using the correct methodology.
- c. This finding will be corrected during the year ending June 30, 2012.

Sincerely,

Burnell McDonald
Superintendent of Education

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