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WEST POINT SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2010

Kimberly T. May, CPA
Madison, MS

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FINANCIAL AUDIT REPORT

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

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, 2010, which collectively comprise the West Point School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Point School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Point School District as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 25, 2011, on my consideration of the West Point School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

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

Kimberly J. May, CPA

Madison, MS
April 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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WEST POINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The discussion and analysis of West Point School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 decreased \$523,523, which represents a 2.4% decrease from fiscal year 2009. Total net assets for 2009 decreased \$448,232, including a prior period adjustment of \$62,028, which represents a 2.0% decrease from fiscal year 2008. This decrease in net assets is primarily due to the following: 1) capital outlays of \$635,817 during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 2) repayment of debt principal in the amount of \$1,194,629 was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets.
- General revenues amounted to \$20,872,686 and \$22,039,500, or 70.5% and 75.4% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,715,238, or 29.5% of total revenues for 2010, and \$7,197,553, or 24.6 % of total revenues for 2009.
- The District had \$30,111,447 and \$29,747,313 in expenses for fiscal years 2010 and 2009; only \$8,715,238 for 2010 and \$7,197,553 for 2009 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$20,872,686 for 2010 and \$22,039,500 for 2009 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,371,020 in revenues and \$20,508,326 in expenditures for 2010, and \$21,210,638 in revenues and \$22,656,188 in expenditures in 2009. The General Fund's fund balance decreased by \$1,804,424 from 2009 to 2010, and decreased by \$2,190,886 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, decreased by \$176,759 for 2010 and increased by \$1,020,574 for 2009.
- Long-term debt decreased by \$1,215,776 for 2010 and decreased by \$1,056,798 for 2009. This decrease was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$21,147 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal

year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's 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 fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the financial statements. The notes provide additional information that is essential to 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.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund.

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.

Also, included in the other supplemental information section are 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. This information 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$21,415,827 as of June 30, 2010.

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, 2010 and June 30, 2009.

Table 1
Condensed Statement of Net Assets

	June 30, 2010	June 30, 2009	Percentage Change
Current assets	\$ 12,594,026	\$ 13,975,377	(9.88) %
Restricted assets	1,495,593	1,380,270	8.36 %
Capital assets, net	17,389,420	17,566,179	(1.01) %
Total assets	31,479,039	32,921,826	(4.38) %
Current liabilities	2,479,502	2,182,990	13.58 %
Long-term debt outstanding	7,583,710	8,799,486	(13.82) %
Total liabilities	10,063,212	10,982,476	(8.37) %
Net assets:			
Invested in capital assets, net of related debt	11,434,420	10,532,179	8.57 %
Restricted	1,371,537	999,847	37.17 %
Unrestricted	8,609,870	10,407,324	(17.27) %
Total net assets	\$ 21,415,827	\$ 21,939,350	(2.39) %

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

- Decrease in net capital assets in the amount of \$176,759.
- The principal retirement of \$1,194,629 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$29,587,924 and \$29,237,053, respectively. The total cost of all programs and services was \$30,111,447 for 2010 and \$29,747,313 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 2
Change in Net Assets

	Year Ended June 30, 2010	Year Ended June 30, 2009	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 615,863	\$ 737,713	(16.52) %
Operating grants and contributions	8,099,375	6,459,840	25.38 %
General revenues:			
Property taxes	5,611,571	5,504,805	1.94 %
Grants and contributions not restricted	14,644,040	15,897,555	(7.88) %
Investment earnings	439,071	501,844	(12.51) %
Sixteenth section sources	97,902	15,850	517.68 %
Other	80,102	119,446	(32.94) %
Total revenues	29,587,924	29,237,053	1.20 %

	Year Ended June 30, 2010	Year Ended June 30, 2009	Percentage Change
Expenses:			
Instruction	17,118,060	16,530,185	3.56 %
Support services	10,568,600	10,720,081	(1.41) %
Non-instructional	2,022,468	2,041,851	(0.95) %
Sixteenth section	998	-	N/A
Interest and other expense on long-term liabilities	401,321	455,196	(11.84) %
Total expenses	30,111,447	29,747,313	1.22 %
Increase (Decrease) in net assets	(523,523)	(510,260)	2.60 %
Net Assets, July 1, as originally reported	21,939,350	22,387,582	(2.00) %
Prior Period Adjustment(s)		62,028	(100.00) %
Net Assets Restated, July 1, as restated	21,939,350	22,449,610	(2.27) %
Net Assets, June 30	\$ 21,415,827	\$ 21,939,350	(2.39) %

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

	Total Expenses		Percentage Change
	2010	2009	
Instruction	\$ 17,118,060	\$ 16,530,185	3.56 %
Support services	10,568,600	10,720,081	(1.41) %
Non-instructional	2,022,468	2,041,851	(0.95) %
Sixteenth section	998	-	N/A
Interest on long-term liabilities	401,321	455,196	(11.84) %
Total expenses	\$ 30,111,447	\$ 29,747,313	1.22 %

	Net (Expense) Revenue		Percentage Change
	2010	2009	
Instruction	\$ (12,346,604)	\$ (12,904,415)	(4.32) %
Support services	(8,826,599)	(9,219,132)	(4.26) %
Non-instructional	179,313	28,983	518.68 %
Sixteenth section	(998)	-	N/A
Interest on long-term liabilities	(401,321)	(455,196)	(11.84) %
Total net (expense) revenue	\$ (21,396,209)	\$ (22,549,760)	(5.12) %

- Net cost of governmental activities, (\$21,396,209 for 2010 and \$22,549,760 for 2009) was financed by general revenue, which is primarily made up of property taxes of (\$5,611,571 for 2010 and \$5,504,805 for 2009) and state and federal revenues of (\$14,644,040 for 2010 and \$15,897,555 for 2009).
- Investment earnings amounted to \$439,071 for 2010 and \$501,844 for 2009.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,504,787, a decrease of \$1,571,782, which includes an increase in inventory of \$8,022. \$10,686,601 or 85.5% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,818,186 or 14.5% is reserved to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,804,424. The fund balance of Other Governmental Funds showed an increase in the amount of \$232,642, which includes an increase in reserve for inventory of \$8,022.

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, 2010, the District's total capital assets were \$27,122,085, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$334,360 from 2009. Total accumulated depreciation as of June 30, 2010, was \$9,732,665, and total depreciation expense for the year was \$780,306, resulting in total net capital assets of \$17,389,420.

Table 4
Capital Assets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 199,920	\$ 199,920	0.00 %
Construction in Progress		1,269,389	(100.00) %
Buildings	15,889,196	15,059,945	5.51 %
Building improvements	246,328	257,637	(4.39) %
Mobile equipment	378,226	470,604	(19.63) %
Furniture and equipment	675,750	308,684	118.91 %
Total	<u>\$ 17,389,420</u>	<u>\$ 17,566,179</u>	<u>(1.01) %</u>

Debt Administration. At June 30, 2010, the District had \$7,583,710 in outstanding long-term debt, of which \$840,585 is due within one year. The liability for compensated absences decreased from the prior year.

The District maintains an Aa bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,425,000	\$ 395,000	(100.00) %
Limited obligation bonds payable	810,000	880,000	(9.39) %
Certificates of participation payable	1,720,000	1,979,000	(13.09) %
Three mill notes payable	148,750	215,470	(30.96) %
Obligations under energy efficiency lease	44,140	87,850	(49.76) %
Energy investment loan	1,198,972	1,198,972	0.00 %
Qualified zone academy bonds payable	6,329	11,528	(45.10) %
US EPA asbestos loan	230,519	251,666	(8.40) %
Compensated absences payable	7,583,710	8,799,486	(13.82) %
Total	\$ 7,583,710	\$ 8,799,486	

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 questions about this report, 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, 2010

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,421,043
Due from other governments	\$ 1,112,272
Other receivables, net	\$ 12,015
Inventories	\$ 48,696
Restricted assets (Note 4)	\$ 1,495,593
Non-depreciable capital assets (Note 5)	\$ 199,920
Depreciable capital assets, net (Note 5)	\$ 17,189,500
Total Assets	<u>\$ 31,479,039</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,584,832
Deferred credit on bonds payable	\$ 200,261
Interest payable on long-term liabilities	\$ 694,409
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	\$ 710,000
Non-capital related liabilities	\$ 130,585
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	\$ 5,245,000
Non-capital related liabilities	\$ 1,498,125
Total Liabilities	<u>\$ 10,063,212</u>
Net assets	
Invested in capital assets (net of related debt)	\$ 11,434,420
Restricted net assets	
Expendable	
School-based activities	\$ 296,456
Debt service	\$ 962,579
Forestry improvements	\$ 12,214
Unemployment benefits	\$ 94,472
Non-expendable	
Sixteenth section	\$ 5,816
Unrestricted	<u>\$ 8,609,870</u>
Total Net Assets	<u><u>\$ 21,415,827</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, 2010

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 17,118,060	\$ 409,512	\$ 4,361,944	\$ (12,346,604)
Support services	\$ 10,568,600		\$ 1,742,001	\$ (8,826,599)
Non-instructional	\$ 2,022,468	\$ 206,351	\$ 1,995,430	\$ 179,313
Sixteenth section	\$ 998			\$ (998)
Interest and other expenses on long-term liabilities	\$ 401,321			\$ (401,321)
Total Governmental Activities	\$ 30,111,447	\$ 615,863	\$ 8,099,375	\$ (21,396,209)
General Revenues				
Taxes				
General purpose levies				\$ 4,843,891
Debt purpose levies				\$ 767,680
Unrestricted grants and contributions				
State				\$ 14,410,771
Federal				\$ 233,269
Unrestricted investment earnings				\$ 439,071
Sixteenth section sources				\$ 97,902
Other				\$ 80,102
Total General Revenues				\$ 20,872,686
Changes in Net Assets				\$ (523,523)
Net Assets - Beginning				\$ 21,939,350
Net Assets - Ending				\$ 21,415,827

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

West Point School District
Balance Sheet - Governmental Funds
June 30, 2010

Exhibit C

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	\$ 11,065,123	\$ 598,714	\$ 11,663,837
Cash with fiscal agent (Note 2)		\$ 1,067,669	\$ 1,067,669
Investments (Note 2)		\$ 185,130	\$ 185,130
Due from other governments	\$ 191,956	\$ 920,316	\$ 1,112,272
Due from other funds (Note 3)	\$ 529,643	\$ 218	\$ 529,861
Inventories		\$ 48,696	\$ 48,696
Total Assets	\$ 11,786,722	\$ 2,820,743	\$ 14,607,465
Liabilities and Fund Balances			
Liabilities			
Accounts payable & accrued liabilities	\$ 1,347,774	\$ 237,058	\$ 1,584,832
Due to other funds (Note 3)	\$ 107	\$ 517,739	\$ 517,846
Total Liabilities	\$ 1,347,881	\$ 754,797	\$ 2,102,678
Fund Balances			
Reserved for			
Debt service purposes		\$ 1,656,988	\$ 1,656,988
Permanent fund purposes		\$ 5,816	\$ 5,816
Unemployment benefits		\$ 94,472	\$ 94,472
Forestry improvements		\$ 12,214	\$ 12,214
Inventory		\$ 48,696	\$ 48,696
Unreserved			
Undesignated, reported in			
General fund	\$ 10,438,841		\$ 10,438,841
Special revenue funds		\$ 247,568	\$ 247,568
Permanent funds		\$ 192	\$ 192
Total Fund Balances	\$ 10,438,841	\$ 2,065,946	\$ 12,504,787
Total Liabilities and Fund Balances	\$ 11,786,722	\$ 2,820,743	\$ 14,607,465

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, 2010

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 12,504,787
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$9,732,665.	\$ 17,389,420
Long-term deferred credit on bonds payable is not due and payable in the current period and therefore not reported in the governmental funds.	\$ (200,261)
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$ (7,583,710)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (694,409)</u>
Total net assets - governmental activities	<u><u>\$ 21,415,827</u></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, 2010

Exhibit D

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
Revenues			
Local sources	\$ 5,614,545	\$ 1,051,961	\$ 6,666,506
State sources	\$ 13,610,090	\$ 1,249,287	\$ 14,859,377
Federal sources	\$ 146,385	\$ 7,737,652	\$ 7,884,037
Sixteenth section sources		\$ 97,902	\$ 97,902
Total Revenues	\$ 19,371,020	\$ 10,136,802	\$ 29,507,822
Expenditures			
Instruction	\$ 11,461,985	\$ 5,070,457	\$ 16,532,442
Support services	\$ 8,880,477	\$ 2,104,703	\$ 10,985,180
Noninstructional services		\$ 2,001,531	\$ 2,001,531
Sixteenth section		\$ 998	\$ 998
Facilities acquisition and construction	\$ 41,285	\$ 1,100	\$ 42,385
Debt service			
Principal (Note 6)	\$ 115,629	\$ 1,079,000	\$ 1,194,629
Interest	\$ 8,950	\$ 314,593	\$ 323,543
Other		\$ 6,918	\$ 6,918
Total Expenditures	\$ 20,508,326	\$ 10,579,300	\$ 31,087,626
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,137,306)	\$ (442,498)	\$ (1,579,804)
Other Financing Sources (Uses)			
Operating transfers in (Note 3)	\$ 162,015	\$ 829,133	\$ 991,148
Operating transfers out (Note 3)	\$ (829,133)	\$ (162,015)	\$ (991,148)
Total Other Financing Sources (Uses)	\$ (667,118)	\$ 667,118	\$ -
Net Change in Fund Balances	\$ (1,804,424)	\$ 224,620	\$ (1,579,804)
Fund Balances			
July 1, 2009	\$ 12,243,265	\$ 1,833,304	\$ 14,076,569
Increase in reserve for inventory		\$ 8,022	\$ 8,022
June 30, 2010	\$ 10,438,841	\$ 2,065,946	\$ 12,504,787

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, 2010

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ (1,579,804)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$635,817 and the depreciation expense amounted to \$780,306.	\$ (144,489)
The amortization of long-term deferred credit on bonds payable is reported in the statement of activities, but not in the governmental funds.	\$ 80,102
The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	\$ 1,194,629
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.	\$ (70,860)
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.	\$ (32,270)
An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	\$ 8,022
Expenses associated with changes in the compensated absences liability are reported in the statement of activities, but not reported in the governmental funds.	<u>\$ 21,147</u>
Changes in net assets of governmental activities	<u><u>\$ (523,523)</u></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, 2010

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 89,411
Due from other funds (Note 3)	\$ 147
Total Assets	<u>\$ 89,558</u>
Liabilities	
Due to other funds (Note 3)	\$ 12,162
Due to student clubs	\$ 77,396
Total Liabilities	<u>\$ 89,558</u>

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

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West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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 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, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

B. Basis of Presentation

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.

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.

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

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 the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

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

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

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

FIDUCIARY FUNDS

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

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

C. Measurement Focus and Basis of Accounting

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

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

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.

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.

D. Account Classifications

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.

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

E. Encumbrances

An encumbrance system is maintained to account for commitments 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 as reservations of fund balances.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district 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.

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. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16th

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

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.

The following schedule details the capitalization thresholds:

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

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

(**) The estimated useful life is based on the district's specific intangible asset(s). There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term depreciation includes amortization of intangible assets.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

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, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

9. Fund equity

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

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

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

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

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

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

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

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

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

(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

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

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 \$11,663,837 and \$89,411, respectively. The bank balance was \$13,011,135.

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 \$1,067,669.

Investments

As of June 30, 2010, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Fund	AAAm	less than 1 year	\$ 185,130

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

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 517,699
	Fiduciary funds	11,944
Other governmental funds	Fiduciary funds	218
Fiduciary funds	General Fund	107
	Other governmental funds	40
Total		\$ <u>530,008</u>

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

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 829,133
Other governmental funds	General Fund	162,015
Total		\$ <u>991,148</u>

The transfer out of the General Fund was for the purpose of funding the programs in the Other Governmental Funds. The transfer from the Other Governmental Funds to the General Fund was for the payment of indirect cost from certain federal grants.

(4) Restricted Assets

The restricted assets represent the legally restricted cash and investment balances of the following funds which may not be used for purposes that support the district's programs.

<u>Funds with Restricted Balances</u>	<u>Account</u>	<u>Amount</u>
Unemployment compensation fund	Cash	\$ 94,471
Forestry escrow fund	Cash	12,214
Three mill debt service fund	Cash	108,906
Bond retirement fund	Cash	13,531
COP retirement fund	Cash	7,856
16 th section principal fund	Cash	5,816
QZAB retirement fund	Cash	709,818
QZAB 2005 retirement fund	Cash	357,851
MAEP debt service fund	Investment	185,130
		\$ <u>1,495,593</u>

(5) Capital Assets

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

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

	Balance 7/1/2009	Additions	Retirements	Completed Construction	Balance 6/30/2010
<u>Governmental Activities:</u>					
<u>Non-depreciable capital assets</u>					
Land	\$ 199,920				199,920
Construction in progress	1,269,389	42,385		(1,311,774)	0
Total non-depreciable capital assets	1,469,309	42,385	0	(1,311,774)	199,920
<u>Depreciable capital assets</u>					
Buildings	22,260,659			1,311,774	23,572,433
Building improvements	282,720				282,720
Mobile equipment	1,461,228	14,992	(232,118)		1,244,102
Furniture and equipment	1,313,809	578,440	(69,339)		1,822,910
Total depreciable capital assets	25,318,416	593,432	(301,457)	1,311,774	26,922,165
<u>Less accumulated depreciation for:</u>					
Buildings	7,200,714	482,523			7,683,237
Building improvements	25,083	11,309			36,392
Mobile equipment	990,624	79,238	(203,986)		865,876
Furniture and equipment	1,005,125	207,236	(65,201)		1,147,160
Total depreciation	9,221,546	780,306	(269,187)	0	9,732,665
Total depreciable capital assets, net	16,096,870	(186,874)	(32,270)	1,311,774	17,189,500
Governmental activities capital assets, net	\$ 17,566,179	(144,489)	(32,270)	0	17,389,420

Depreciation expense was charged to the following governmental functions:

	Amount
<u>Governmental activities:</u>	
Instruction	\$ 585,618
Support services	165,729
Non-instructional	28,959
Total Depreciation Expense	\$ 780,306

(6) Long-term Liabilities

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

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Amounts due within one year
A. General obligation bonds payable	\$ 395,000		395,000	0	
B. Limited obligation bonds payable	3,780,000		355,000	3,425,000	365,000
C. Certificates of participation payable	880,000		70,000	810,000	70,000
D. Three mill notes payable	1,979,000		259,000	1,720,000	275,000
E. Obligations under energy efficiency leases	215,470		66,720	148,750	69,720
F. Energy investment loan payable	87,850		43,710	44,140	44,140
G. Qualified zone academy bonds payable	1,198,972			1,198,972	
H. US EPA asbestos loan payable	11,528		5,199	6,329	5,199
I. Compensated absences payable	251,666		21,147	230,519	11,526
Total	\$ 8,799,486	0	1,215,776	7,583,710	840,585

The district has pledged state appropriations for EEF School Buildings and Buses in the amount of \$116,831. The purpose of the pledge is to repay certificates of participation of the district. The pledge will remain in effect through 2019. The amount of the pledge is the total amount of funds available to the district for this particular purpose. During the year, the pledged revenues represent 100% of the principal and interest requirements for the debt.

The district has pledged state appropriations for Mississippi Adequate Education Program in the amount of \$529,056. The purpose of the pledge is to repay limited obligation bonds of the district. The pledge will remain in effect through 2018. The amount of the pledge is the total amount of funds available to the district for this particular purpose. During the year, the pledged revenues represent 100% of the principal and interest requirements for the debt.

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, 2010, the amount of outstanding bonded indebtedness was equal to 0.6% of property assessments as of October 1, 2009.

A. The general obligation bonds were paid in full during the fiscal year.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	4.4 - 6.0	2/1/1998	2/1/2018	\$ 6,400,000	3,425,000

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

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

Year Ending June 30	Principal	Interest	Total
2011	\$ 365,000	125,125	490,125
2012	380,000	137,700	517,700
2013	400,000	120,600	520,600
2014	415,000	102,600	517,600
2015	435,000	89,925	524,925
2016 – 2018	1,430,000	130,725	1,560,725
Total	<u>\$ 3,425,000</u>	<u>706,675</u>	<u>4,131,675</u>

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

This debt will be repaid from the MAEP bond retirement fund (debt service fund).

C. Certificates of participation payable

As more fully explained in Note 11, 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	<u>\$ 2,495,000</u>	<u>810,000</u>

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 70,000	36,866	106,866
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 – 2019	410,000	48,538	458,538
Total	<u>\$ 810,000</u>	<u>199,691</u>	<u>1,009,691</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:

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes, series 2000	4.9	9/1/2000	9/1/2010	\$ 1,095,000	250,000
2. Limited tax notes series 2003	4.5	6/30/2003	6/30/2016	2,500,000	1,470,000
Total				<u>\$ 3,595,000</u>	<u>1,720,000</u>

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

1. Three mill notes payable issue of 9-1-2000:

Year Ending June 30	Principal	Interest	Total
2011	\$ 250,000	12,250	262,250

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

2. Three mill notes payable issue of 6-30-2003:

Year Ending June 30	Principal	Interest	Total
2011	\$ 25,000	54,978	79,978
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	312,000	11,669	323,669
Total	<u>\$ 1,470,000</u>	<u>221,371</u>	<u>1,691,371</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2011	\$ 275,000	67,228	342,228
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	312,000	11,669	323,669
Total	<u>\$ 1,720,000</u>	<u>233,621</u>	<u>1,953,621</u>

E. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Obligations under energy efficiency loan, 2002	4.36	7/15/2002	6/30/2013	\$ <u>600,000</u>	<u>148,750</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 69,720	5,103	74,823
2012	72,820	2,002	74,822
2013	6,210	23	6,233
Total	\$ <u>148,750</u>	<u>7,128</u>	<u>155,878</u>

An energy efficiency lease agreement dated July 15, 2002, was executed by and between the district, the lessee, and National Bank of Commerce, the lessor. The agreement authorized the borrowing of \$600,000 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund (general fund) and not exceed ten (10) years. The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the general fund.

F. Energy investment loans payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy investment loan program, 2003	1.0	8/8/2003	8/1/2010	\$ <u>300,000</u>	<u>44,140</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>44,140</u>	<u>441</u>	<u>44,581</u>

This debt will be retired from the general fund.

G. Qualified zone academy bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds, series 2001	0.0	4/15/2001	4/15/2011	\$ 599,486	599,486
Qualified zone academy bonds, series 2003	0.0	11/17/2005	11/17/2015	599,486	599,486
Total				<u>\$ 1,198,972</u>	<u>1,198,972</u>

H. US Environmental Protection Agency asbestos removal loan.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
US EPA asbestos removal loan, 1992	0.0	4/17/1992	5/17/2012	\$ 93,589	6,329

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 5,199	0	5,199
2012	1,130	0	1,130
Total	<u>\$ 6,329</u>	<u>0</u>	<u>6,329</u>

This debt will be retired from the general fund.

I. 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.

(7) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 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, 2010, 2009 and 2008 were \$1,829,017, \$1,808,605 and \$1,775,872, respectively, which equaled the required contributions for each year.

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

(8) Sixteenth Section Lands

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

Year Ending June 30	Amount
2011	\$ 1,585
2012	1,585
2013	200
2014	200
2015	200
2016 – 2020	1,000
2021 – 2025	1,000
2026 – 2030	1,000
Thereafter	1,800
Total	\$ 8,570

(9) 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.

(10) 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.

(11) Trust Certificates

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

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

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

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

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

(12) Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105 – 34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district in agreement with School Specialty, Cedar Falls Project Center, has entered into such an arrangement dated February 1, 2001. The Center will donate equipment, technical assistance for curriculum development, and training mentors or internships. The Center will 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 accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2011	\$ 80,961
2012	80,961
2013	80,961
2014	80,961
2015	80,961
Thereafter	161,922
Total	\$ 566,727

(13) Alternative School Consortium

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

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

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

West Point School District
Notes to the Financial Statements
For the Year Ended June 30, 2010

The following Statement of Revenues and Expenditures and Changes in Fund Balance is presented to detail the financial activity of the West Point School District Alternative School.

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2010

Revenues

Local sources:

Tuition from other LEA's within the state:

Clay County School District

\$ 10,000

Total Revenues

10,000

Expenditures

Salaries

356,327

Employee benefits

101,140

Total Expenditures

457,467

Excess (Deficiency) of Revenues Over (Under) Expenditures

(447,467)

Other Financing Sources/Uses:

Operating transfers in

447,467

Total Other Financing Sources/Uses

447,467

Net Change in Fund Balance

0

Fund Balance:

July 1, 2009

0

June 30, 2010

\$ 0

(14) **Deferred Credit on Bonds Payable.**

The school district has two separate debt issues of Qualified Zone Academy Bonds. Upon the issuance of the interest free Qualified Zone Academy Bonds, the district incurred a deferred credit on bonds payable in the amount of \$801,028. The deferred credit is based on imputed interest at a rate of 5.25%. 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 \$80,102. The unamortized balance was \$200,261 at fiscal year end.

(15) **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 and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements:

On December 17, 2010, the school board issued \$2,000,000 in Qualified School Construction Bonds at a nominal rate of interest.

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REQUIRED SUPPLEMENTAL INFORMATION

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West Point School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 6,029,089	\$ 5,614,545	\$ 5,614,545	\$ (414,544)	\$ -
State sources	\$ 15,571,401	\$ 13,610,090	\$ 13,610,090	\$ (1,961,311)	\$ -
Federal sources	\$ 750,391	\$ 146,385	\$ 146,385	\$ (604,006)	\$ -
Total Revenues	<u>\$ 22,350,881</u>	<u>\$ 19,371,020</u>	<u>\$ 19,371,020</u>	<u>\$ (2,979,861)</u>	<u>\$ -</u>
Expenditures					
Instruction	\$ 13,033,838	\$ 11,499,985	\$ 11,461,985	\$ 1,533,853	\$ 38,000
Support services	\$ 10,681,130	\$ 8,983,762	\$ 8,880,477	\$ 1,697,368	\$ 103,285
Facilities acquisition and construction	\$ -	\$ -	\$ 41,285	\$ -	\$ (41,285)
Debt service					
Principal	\$ 115,629	\$ 115,629	\$ 115,629	\$ -	\$ -
Interest	\$ 8,950	\$ 8,950	\$ 8,950	\$ -	\$ -
Total Expenditures	<u>\$ 23,839,547</u>	<u>\$ 20,608,326</u>	<u>\$ 20,508,326</u>	<u>\$ 3,231,221</u>	<u>\$ 100,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,488,666)</u>	<u>\$ (1,237,306)</u>	<u>\$ (1,137,306)</u>	<u>\$ 251,360</u>	<u>\$ 100,000</u>
Other Financing Sources (Uses)					
Sale of transportation equipment	\$ 5,000	\$ -	\$ -	\$ (5,000)	\$ -
Sale of other property	\$ 2,000	\$ -	\$ -	\$ (2,000)	\$ -
Operating transfers in	\$ 754,619	\$ 5,034,776	\$ 162,015	\$ 4,280,157	\$ (4,872,761)
Operating transfers out	\$ (1,361,156)	\$ (5,701,894)	\$ (829,133)	\$ (4,340,738)	\$ 4,872,761
Total Other Financing Sources (Uses)	<u>\$ (599,537)</u>	<u>\$ (667,118)</u>	<u>\$ (667,118)</u>	<u>\$ (67,581)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (2,088,203)</u>	<u>\$ (1,904,424)</u>	<u>\$ (1,804,424)</u>	<u>\$ 183,779</u>	<u>\$ 100,000</u>
Fund Balances					
July 1, 2009			<u>\$ 12,243,265</u>		
June 30, 2010			<u><u>\$ 10,438,841</u></u>		

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

West Point School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2010

(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, 2010

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	\$ 639,178
National school lunch program	10.555	\$ 1,470,426
Summer food service program for children	10.559	\$ 33,397
Total child nutrition cluster		<u>\$ 2,143,001</u>
Child nutrition discretionary grants, limited availability	10.579	\$ 37,639
Total U.S. Department of Agriculture		<u>\$ 2,180,640</u>
<u>Appalachian Regional Commission</u>		
Passed through Mississippi Department of Education		
Appalachian research, technical assistance, and demonstration projects	23.011	\$ 290,004
Total Appalachian Regional Commission		<u>\$ 290,004</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	\$ 53,732
Total Federal Communications Commission		<u>\$ 53,732</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	\$ 60,452
Safe and drug-free schools and communities - state grants	84.186	\$ 17,731
Twenty first century community learning centers	84.287	\$ 308,362
Education technology - state grants	84.318	\$ 187,388
Teacher quality enhancement grants	84.336	\$ 500
Rural education	84.358	\$ 79,766
Improving teacher quality - state grants	84.367	\$ 316,553
Total		<u>\$ 970,752</u>
State fiscal stabilization cluster:		
ARRA - State fiscal stabilization fund - education state grants, recovery act	84.394	\$ 1,137,527
Total state fiscal stabilization cluster		<u>\$ 1,137,527</u>

West Point School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
Title I cluster:		
Title I - grants to local educational agencies	84.010	\$ 1,197,713
ARRA - Title I - grants to local educational agencies, recovery act	84.389	\$ 655,404
Total title I cluster		<u>\$ 1,853,117</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 1,015,894
Special education - preschool grants	84.173	\$ 57,036
ARRA - Special education - grants to states, recovery act	84.391	\$ 300,274
ARRA - Special education - preschool grants, recovery act	84.392	\$ 21,705
Total special education cluster		<u>\$ 1,394,909</u>
Total passed-through Mississippi Department of Education		<u>\$ 5,356,305</u>
Total U.S. Department of Education		<u>\$ 5,356,305</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	\$ 74,836
Total Other Federal Assistance		<u>\$ 74,836</u>
Total for All Federal Awards		<u><u>\$ 7,955,517</u></u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, applicable, used for the basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The balance outstanding at June 30, 2010, of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$6,329.

West Point School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2010

<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	\$ 9,313,775	\$ 4,502,826	\$ 933,273	\$ 1,545,610	\$ 2,332,066
Other	\$ 21,773,851	\$ 14,728,462	\$ 246,492	\$ 30,698	\$ 6,768,199
Total	\$ 31,087,626	\$ 19,231,288	\$ 1,179,765	\$ 1,576,308	\$ 9,100,265
Total number of students	2,959				
Cost per student	\$ 10,506	\$ 6,499	\$ 399	\$ 533	\$ 3,075

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

	2010	2009 *	2008 *	2007 *
Revenues				
Local sources	\$ 5,614,545	\$ 5,602,230	\$ 5,902,993	\$ 5,940,423
State sources	\$ 13,610,090	\$ 15,241,872	\$ 15,740,034	\$ 15,148,359
Federal sources	\$ 146,385	\$ 366,536	\$ 208,697	\$ 203,927
Total Revenues	<u>\$ 19,371,020</u>	<u>\$ 21,210,638</u>	<u>\$ 21,851,724</u>	<u>\$ 21,292,709</u>
Expenditures				
Instruction	\$ 11,461,985	\$ 12,304,998	\$ 12,125,917	\$ 11,122,196
Support services	\$ 8,880,477	\$ 9,020,000	\$ 7,477,474	\$ 7,149,295
Noninstructional services	\$ -	\$ 1,206,588	\$ 471,709	\$ 240,284
Facilities acquisition and construction	\$ 41,285	\$ -	\$ -	\$ -
Debt service				
Principal	\$ 115,629	\$ 112,376	\$ 109,228	\$ 106,203
Interest	\$ 8,950	\$ 12,226	\$ 6,141	\$ 11,786
Total Expenditures	<u>\$ 20,508,326</u>	<u>\$ 22,656,188</u>	<u>\$ 20,190,469</u>	<u>\$ 18,629,764</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,137,306)</u>	<u>\$ (1,445,550)</u>	<u>\$ 1,661,255</u>	<u>\$ 2,662,945</u>
Other Financing Sources (Uses)				
Sale of other property	\$ -	\$ -	\$ 2,000	\$ -
Operating transfers in	\$ 162,015	\$ 89,103	\$ 44,892	\$ 337,607
Other financing sources	\$ -	\$ -	\$ -	\$ 1,844
Operating transfers out	\$ (829,133)	\$ (834,439)	\$ (911,520)	\$ (738,477)
Other financing uses	\$ -	\$ -	\$ -	\$ (43,357)
Total Other Financing Sources (Uses)	<u>\$ (667,118)</u>	<u>\$ (745,336)</u>	<u>\$ (864,628)</u>	<u>\$ (442,383)</u>
Net Change in Fund Balances	<u>\$ (1,804,424)</u>	<u>\$ (2,190,886)</u>	<u>\$ 796,627</u>	<u>\$ 2,220,562</u>
Fund Balances				
July 1	<u>\$ 12,243,265</u>	<u>\$ 14,434,151</u>	<u>\$ 13,637,524</u>	<u>\$ 11,416,962</u>
June 30	<u>\$ 10,438,841</u>	<u>\$ 12,243,265</u>	<u>\$ 14,434,151</u>	<u>\$ 13,637,524</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			
	2010	2009 *	2008 *	2007 *
Revenues				
Local sources	\$ 6,666,506	\$ 6,704,553	\$ 6,986,328	\$ 7,023,823
State sources	\$ 14,859,377	\$ 16,392,581	\$ 17,037,807	\$ 16,243,268
Federal sources	\$ 7,884,037	\$ 6,043,967	\$ 5,267,968	\$ 4,807,206
Sixteenth section sources	\$ 97,902	\$ 15,850	\$ 15,850	\$ 15,850
Total Revenues	<u>\$ 29,507,822</u>	<u>\$ 29,156,951</u>	<u>\$ 29,307,953</u>	<u>\$ 28,090,147</u>
Expenditures				
Instruction	\$ 16,532,442	\$ 16,045,037	\$ 15,627,707	\$ 13,673,697
Support services	\$ 10,985,180	\$ 10,963,136	\$ 9,148,718	\$ 8,825,636
Noninstructional services	\$ 2,001,531	\$ 2,002,565	\$ 1,890,281	\$ 1,806,134
Sixteenth section	\$ 998	\$ -	\$ -	\$ -
Facilities acquisition and construction	\$ 42,385	\$ 1,206,588	\$ 471,709	\$ 240,284
Debt service				
Principal	\$ 1,194,629	\$ 1,137,376	\$ 1,075,228	\$ 1,030,203
Interest	\$ 323,543	\$ 379,949	\$ 432,760	\$ 485,209
Other	\$ 6,918	\$ 6,996	\$ 7,286	\$ 9,930
Total Expenditures	<u>\$ 31,087,626</u>	<u>\$ 31,741,647</u>	<u>\$ 28,653,689</u>	<u>\$ 26,071,093</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,579,804)</u>	<u>\$ (2,584,696)</u>	<u>\$ 654,264</u>	<u>\$ 2,019,054</u>
Other Financing Sources (Uses)				
Sale of other property	\$ -	\$ -	\$ 2,422	\$ -
Operating transfers in	\$ 991,148	\$ 923,542	\$ 1,275,126	\$ 1,076,084
Other financing sources	\$ -	\$ -	\$ -	\$ 1,903
Operating transfers out	\$ (991,148)	\$ (923,542)	\$ (1,275,126)	\$ (1,076,084)
Other financing uses	\$ -	\$ -	\$ -	\$ (43,357)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,422</u>	<u>\$ (41,454)</u>
Net Change in Fund Balances	<u>\$ (1,579,804)</u>	<u>\$ (2,584,696)</u>	<u>\$ 656,686</u>	<u>\$ 1,977,600</u>
Fund Balances				
July 1, as originally reported	\$ 14,076,569	\$ 16,614,024	\$ 15,949,585	\$ 13,991,373
Prior period adjustments	\$ -	\$ 62,028	\$ -	\$ -
July 1, as restated	<u>\$ 14,076,569</u>	<u>\$ 16,676,052</u>	<u>\$ 15,949,585</u>	<u>\$ 13,991,373</u>
Increase (Decrease) in reserve for inventory	<u>\$ 8,022</u>	<u>\$ (14,787)</u>	<u>\$ 7,753</u>	<u>\$ (19,388)</u>
June 30	<u>\$ 12,504,787</u>	<u>\$ 14,076,569</u>	<u>\$ 16,614,024</u>	<u>\$ 15,949,585</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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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, 2010, which collectively comprise the district's basic financial statements and have issued my report thereon dated April 25, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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 2010-01]. 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.

Kimberly T. May, CPA

Madison, MS
April 25, 2011

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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, 2010. 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, 2010.

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 the 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 I consider to be material weaknesses, as defined above.

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.

Kimberly J. May, CPA

Madison, MS
April 25, 2011

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

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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 West Point School District as of and for the year ended June 30, 2010, which collectively comprise the school district's basic financial statements and have issued my report thereon dated April 25, 2011. 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 no 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.

Kimberly T. May, CPA

Madison, MS
April 25, 2011

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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, 2010

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? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 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 | |
| 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 material weaknesses.

Finding 2010-01.

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

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

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

West Point School District
Schedule of Findings and Questioned Costs
June 30, 2010

EFFECT OF CONDITION: This condition could lead to errors being made during this process that might not be detected in a timely manner or prevented.

RECOMMENDATION: It is recommended that management consider segregating these duties to the greatest extent possible.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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WEST POINT SCHOOL DISTRICT

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

westpoint.k12.ms.us

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West Point, Mississippi 39773

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Fax: 662-494-8806

OFFICE OF THE SUPERINTENDENT

April 6, 2011

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, 2010.

Finding 2010-01.

Corrective Action Plan

- a. Susan A. Cothren, Business Manager, 662-494-4242
- b. Due to the limited number of business office personnel, there is no way to correct this finding.
- c. No corrective action will be taken at the present time.

Sincerely,

Steve Montgomery
Superintendent of Education

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