

**BOARD OF EDUCATION OF THE WEST POINT  
INDEPENDENT SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Board of Education of West Point Independent School District  
West Point, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Board of Education of West Point Independent School District as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Point Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, in *Appendix II of the Independent Auditor's Contract – State Audit Requirements* and in *Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Board of Education of West Point Independent School District as of June 30, 2012, and the respective changes in financial position, and cash flows where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012 on our consideration of the Board of Education of West Point Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the Board of Education of West Point Independent School District's financial statements as a whole. The consolidating non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The consolidating non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The additional information shown on pages 40 and 41 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Stephens & Lawson CPAs".

Stephens & Lawson CPAs

Louisville, Kentucky  
November 1, 2012

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

As management of the Board of Education of the West Point Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$ 656,064.
- Due to declining enrollment and state revenues, the District's plan was to conservatively monitor expenses. Some reduction of personnel levels was required.
- A concerted effort was made to focus on saving as much as possible when purchasing in the areas of supplies, food, maintenance items and other materials while upholding our standard of performance.
- The bonding potential for our District was \$ 100,000 at June 30, 2012. The District is currently on track with our facilities plan.
- The decline in the economy has had a negative impact on our District. Families, laid off from existing jobs have left the area in a frantic rush to seek employment in other districts resulting in a decline in population.
- As the economy improves, our community should stabilize and our enrollment increase. Our District has had multiple meetings with the community to discuss any alternatives we might take to increase enrollment. We are optimistic that the currently underway realignment of the nearby Fort Knox military base will continue to bring new families to our area and increase both the local population and the school's enrollment.
- New housing developments in our area bode well for future increases in student enrollment. These developments are underway but not totally on schedule. These improvements will allow us to meet the increased demand for educational facilities. The realignment of the nearby Fort Knox military base has brought new students to our local schools in sufficient numbers to offset the declines previously referenced. We are encouraged by the existing changes in our community and anticipate additional future growth.
- The District has had to undertake additional costs due to mandated salary increases, the federal NCLB standards for highly skilled teachers in middle schools, increases in workers compensation, and insurance products, and an increase in the percentage of retirement funding for which the District is responsible.
- Our District remains committed to educational excellence by keeping and hiring only highly qualified teachers. Our student-teacher ratio remains low at 15:1.
- The General Fund had a \$908,241 carry forward balance, which primarily consisted of monies carried over and spent conservatively from the state programs, property and motor vehicle taxes, and interest income. The Board of Education, upon review of the financial status for FY 2012, has maintained the maximum tax rates for motor vehicles, general property, and personal property for FY 2012 permitted under Subsection 1 of the tax code.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued  
YEAR ENDED JUNE 30, 2012**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

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

**District-wide financial statements** The district-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.

The statement of net assets presents information on all of 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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-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, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. 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 three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is the food service operation. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-21 of this report.

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22-38 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by over \$3.2 million as of June 30, 2012.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued  
YEAR ENDED JUNE 30, 2012**

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The following is a summary of the District's current financial position.

	<u>2012</u>	<u>2011</u>
Current Assets	\$1,045,859	\$1,147,354
Non-Current Assets	1,660,818	1,752,356
Capital Assets	<u>2,582,776</u>	<u>2,657,881</u>
Total Assets	5,289,453	5,557,591
Current Laibilities	122,939	166,907
Non-Current Laibilities	<u>1,885,355</u>	<u>1,982,646</u>
Total Liabilities	2,008,294	2,149,553
Investment in Capital Assets (Net of Debt)	2,283,594	2,318,696
Restricted Net Assets	238,894	226,394
Unrestricted Net Assets	<u>758,671</u>	<u>862,948</u>
Total Net Assets	\$3,281,159	\$3,408,038

**Comments on Budget Comparisons**

- The District's total revenues for governmental activities for the fiscal year ended June 30, 2012, net of inter-fund transfers and bond proceeds, were \$1.385 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenue being \$330,304 more than budget or approximately thirty one percentage points. This is primarily due to the District not budgeting on behalf payments.
- The total cost of all programs and services for governmental activities was approximately \$2.1 million net of debt service.
- General fund budget expenditures to actual varied significantly in plant operation and maintenance cost.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued  
YEAR ENDED JUNE 30, 2012**

The following table presents a summary of activities for the fiscal year ended June 30, 2011 and June 30, 2012.

	<u>Governmental Activity</u>		<u>Business Type Activity</u>	
	FY 2011	FY 2012	FY 2011	FY2012
<b>PROGRAM REVENUES</b>				
Taxes	\$ 329,552	\$ 310,771	\$ -	\$ -
Investment Earnings	1,795	1,211	-	-
Miscellaneous	20,084	12,294	10,029	10,383
Charges for Services	711,460	-	-	-
Gain on Sale of Assets	3,250	(1,661)	-	-
Operating Grants and Contributions	983,796	984,766	62,904	84,752
Capital Grants and Contributions	<u>27,664</u>	<u>75,989</u>	-	-
<b>Total Revenues</b>	<u>2,077,601</u>	<u>1,383,370</u>	<u>72,933</u>	<u>95,135</u>
<b>PROGRAM EXPENDITURES</b>				
Instruction	833,253	715,296	-	-
Student Services	-	121	-	-
Support services	11,898	16,935	-	-
District Administration	192,500	239,631	-	-
School Administration	112,796	129,761	-	-
Business Support	77,112	137,975	-	-
Plant Operations	127,625	143,049	-	-
Student Transportation	46,294	43,918	-	-
Community Service Activity	30,865	29,206	-	-
Food Service	-	-	67,583	78,945
Fundraising	659,192	-	-	-
Change in Accrued Sick Leave	1,199	2,709	-	-
Debt Service Interest	<u>13,442</u>	<u>11,766</u>	-	-
<b>Total Expenditures</b>	<u>2,106,176</u>	<u>1,470,367</u>	<u>67,583</u>	<u>78,945</u>
<b>CHANGE IN NET ASSETS</b>	<u>(28,575)</u>	<u>(86,997)</u>	<u>5,350</u>	<u>16,190</u>
<b>BEGINNING NET ASSETS</b>	<u>3,376,770</u>	<u>3,348,195</u>	<u>-</u>	<u>5,350</u>
<b>ENDING NET ASSETS</b>	<u>\$ 3,348,195</u>	<u>\$ 3,261,198</u>	<u>\$ 5,350</u>	<u>\$21,540</u>

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued  
YEAR ENDED JUNE 30, 2012**

**Fund Financial Statements**

Our analysis of the District's major funds begins on page 11. The fund financial statements provide detailed information about the governmental funds – not the District as a whole. Most of the District's basic services are reported in the governmental funds, which focuses on how money flows into and out of the fund and the balance left over at year-end available for spending in the next period. These funds are reported using the accounting method called the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources to spend in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental fund in reconciliation at the bottom of the fund financial statements.

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

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,003,474, which is similar to last year's reported total of 908,241. The fund balance of the General Fund decreased \$106,624. Fund balance highlights are:

- The District has an unassigned general fund balance in excess of \$800,000 representing a 6 month reserve.
- The majority of revenue was derived from state and federal funding (71%) with local taxes making up 22% of total revenue
- The capital projects funds ended the fiscal year with a fund balance of nearly \$200,000.
- In accordance with Kentucky Department of Education guidance the special projects funds ended the fiscal year with a zero fund balance.

**General Fund Revenue**

- The majority of revenue was derived from state and federal funding (67%) with local taxes making up 28% of total revenue

**School Allocation**

Regular Instruction and staff support services accounted for 39.9% and 20.3% of the school level expenditures respectively.

**Central Office Allocation**

Central support services expenditures were Transportation 3.5%, Maintenance and Operations 12.2%, and Business Functions 11.9%.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued  
YEAR ENDED JUNE 30, 2012**

**Fixed Assets**

The District added technology infrastructure and hardware totaling nearly sixty thousand dollars

**Proprietary Funds**

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Fund balance (i.e., net assets) highlights are:

- Net assets of the Food Service Fund increased \$16,190, reflecting operating gains associated with the provision of food services to district students and staff.

**DEBT ADMINISTRATION**

Debt considered a liability of governmental activities decreased in FY 2011-12 by 132,291. Included in this decrease is a change in reporting compensated absences and claims and judgments payable from current liabilities to proportional current and long-term liabilities.

A schedule of outstanding debt is presented below.

	<u>Balance</u> <u>July 1, 2011</u>	<u>Incurred or</u> <u>Issued</u>	<u>Satisfied or</u> <u>Matured</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Governmental Activities:</b>				
General Obligation Bonds Payable	\$2,095,000	-	\$135,000	\$1,960,000
Accrued Sick Leave	<u>22,646</u>	<u>2,709</u>	<u>-</u>	<u>25,355</u>
<b>Total</b>	<u>\$2,177,646</u>	<u>\$2,709</u>	<u>\$135,000</u>	<u>\$1,985,355</u>

**BUDGETARY IMPLICATIONS**

In Kentucky public schools the fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. Significant fluctuations exist in the original budget as compared to the final approved budget due to the extremely early date mandated by the state for the preliminary budget which can exceed three months before the close of the fiscal year. Significant actions that impacted the finances include an increase in the district's retirement contribution requirements for classified employees, additional spending on fixed costs for increases of energy, insurances, and other operational costs totaling over \$70,000. Costs of maintenance to property kept total expenses for property upkeep and insurance at nearly \$150,000. There were no significant improvements to buildings or grounds during the period under audit.

**CONTACTING THE BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT'S MANAGEMENT**

Questions regarding this report should be directed to Pamela Stephens Superintendent (502) 922-4617 or to Darlene Boszor Board Treasurer (502) 922-4617 or by mail at P O Box 367 West Point, KY 40177.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS	\$ 867,974	\$ 12,498	\$ 880,472
ACCOUNTS RECEIVABLE:			
TAXES	28,318	-	28,318
GRANTS RECEIVABLE	127,430	4,602	132,032
INVENTORIES FOR CONSUMPTION	-	5,037	5,037
SFCC RECEIVABLE FOR BOND PAYMENT	1,660,818	-	1,660,818
<b>NONDEPRECIATED CAPITAL ASSETS:</b>			
LAND	14,980	-	14,980
<b>DEPRECIATED CAPITAL ASSETS</b>			
LAND IMPROVEMENTS	93,772	-	93,772
BUILDINGS AND IMPROVEMENTS	3,257,667	-	3,257,667
FURNITURE AND EQUIPMENT	143,900	43,481	187,381
LESS: ACCUMULATED DEPRECIATION	(928,058)	(42,966)	(971,024)
<b>TOTAL ASSETS</b>	<b>5,266,801</b>	<b>22,652</b>	<b>5,289,453</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
ACCOUNTS PAYABLE	1,775	2,691	4,466
ACCRUED PAYROLL & RELATED EXPENSES	131	-	131
DEFERRED REVENUES	18,342	-	18,342
BOND OBLIGATIONS PAYABLE WITHIN ONE YEAR	100,000	-	100,000
<b>LONG-TERM LIABILITIES:</b>			
ACCRUED SICK LEAVE	25,355	-	25,355
BOND OBLIGATIONS PAYABLE AFTER ONE YEAR	1,860,000	-	1,860,000
<b>TOTAL LIABILITIES</b>	<b>2,005,603</b>	<b>2,691</b>	<b>2,008,294</b>
<b>NET ASSETS</b>			
<b>INVESTED IN CAPITAL ASSET, NET OF DEBT</b>	2,283,079	515	2,283,594
<b>RESTRICTED FOR:</b>			
CAPITAL PROJECTS	194,093	-	194,093
ACCRUED SICK LEAVE	25,355	-	25,355
FEEDING PROGRAMS	-	19,446	19,446
<b>UNRESTRICTED</b>	<b>758,671</b>	<b>-</b>	<b>758,671</b>
<b>TOTAL NET ASSETS</b>	<b>3,261,198</b>	<b>19,961</b>	<b>3,281,159</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,266,801</b>	<b>\$ 22,652</b>	<b>\$ 5,289,453</b>

See Accompanying Notes to the Financial Statements

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	
<b>GOVERNMENTAL ACTIVITIES:</b>							
INSTRUCTIONAL	\$ 715,296	\$ -	\$ 271,825	\$ 44,685	\$ (398,786)	\$ -	\$ (398,786)
STUDENT SUPPORT SERVICES	121	-	-	-	(121)	-	(121)
STAFF SUPPORT SERVICES	16,935	-	414	-	(16,521)	-	(16,521)
DISTRICT ADMINISTRATION	239,631	-	-	-	(239,631)	-	(239,631)
SCHOOL ADMINISTRATION	129,761	-	3,336	-	(126,425)	-	(126,425)
BUSINESS SUPPORT SERVICES	137,975	-	-	-	(137,975)	-	(137,975)
PLANT OPERATION AND MAINTENANCE	143,049	-	-	-	(143,049)	-	(143,049)
STUDENT TRANSPORTATION	43,918	-	-	-	(43,918)	-	(43,918)
COMMUNITY SERVICE OPERATIONS	29,206	-	29,206	-	-	-	-
FACILITIES AND ACQUISITION	-	-	-	31,304	31,304	-	31,304
NON INSTRUCTIONAL STUDENT SERVICES	-	-	-	-	-	-	-
STATE AID-FORMULA GRANTS	-	-	679,985	-	679,985	-	679,985
CHANGE IN ACCRUED SICK LEAVE ESTIMATE	2,709	-	-	-	(2,709)	-	(2,709)
INTEREST ON LONG-TERM DEBT	11,766	-	-	-	(11,766)	-	(11,766)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,470,367</b>	<b>-</b>	<b>984,766</b>	<b>75,989</b>	<b>(409,612)</b>	<b>-</b>	<b>(409,612)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
FOOD SERVICE	80,524	10,383	84,752	-	-	14,611	14,611
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>80,524</b>	<b>10,383</b>	<b>84,752</b>	<b>-</b>	<b>-</b>	<b>14,611</b>	<b>14,611</b>
<b>TOTAL SCHOOL DISTRICT</b>	<b>\$ 1,550,891</b>	<b>\$ 10,383</b>	<b>\$ 1,069,518</b>	<b>\$ 75,989</b>	<b>\$ (409,612)</b>	<b>\$ 14,611</b>	<b>\$ (395,001)</b>
<b>GENERAL REVENUES AND TRANSFERS:</b>							
TAXES					\$ 310,771	\$ -	\$ 310,771
INVESTMENT EARNINGS					1,211	-	1,211
MISCELLANEOUS					12,294	-	12,294
LOSS ON DISPOSITION OF ASSETS					(1,661)	-	(1,661)
<b>TOTAL GENERAL &amp; SPECIAL REVENUES AND TRANSFERS</b>					<b>322,615</b>	<b>-</b>	<b>322,615</b>
<b>CHANGE IN NET ASSETS</b>					<b>(86,997)</b>	<b>14,611</b>	<b>(72,386)</b>
<b>NET ASSETS-BEGINNING</b>					<b>3,348,195</b>	<b>5,350</b>	<b>3,353,545</b>
<b>NET ASSETS-ENDING</b>					<b>\$ 3,261,198</b>	<b>\$ 19,961</b>	<b>\$3,281,159</b>

See Accompanying Notes to the Financial Statements

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

	GENERAL FUNDS	SPECIAL REVENUE FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	\$ 782,194	\$ (108,313)	\$ 194,093	\$ 867,974
ACCOUNTS RECEIVABLE:				
TAXES	28,318	-	-	28,318
INTERFUND RECEIVABLES	500	-	-	500
GRANT RECEIVABLES	-	127,430	-	127,430
<b>TOTAL ASSETS</b>	<u>\$ 811,012</u>	<u>\$ 19,117</u>	<u>\$ 194,093</u>	<u>\$ 1,024,222</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
ACCOUNTS PAYABLE	\$ 1,500	\$ 275	-	\$ 1,775
INTERFUND PAYABLES	-	500	-	500
ACCRUED PAYROLL & RELATED EXPENSES	131	-	-	131
DEFERRED REVENUES	-	18,342	-	18,342
<b>TOTAL LIABILITIES</b>	<u>1,631</u>	<u>19,117</u>	<u>-</u>	<u>20,748</u>
<b>FUND BALANCE</b>				
RESTRICTED REPORTED IN NONMAJOR FUNDS				
CAPITAL PROJECTS FUNDS	-	-	194,093	194,093
COMMITTED FOR SICK LEAVE	25,355	-	-	25,355
ASSIGNED	558,754	-	-	558,754
UNASSIGNED	225,272	-	-	225,272
<b>TOTAL FUND BALANCES</b>	<u>809,381</u>	<u>-</u>	<u>194,093</u>	<u>1,003,474</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 811,012</u>	<u>\$ 19,117</u>	<u>\$ 194,093</u>	<u>\$ 1,024,222</u>

See Accompanying Notes to the Financial Statements

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE DISTRICT-WIDE STATEMENT OF NET ASSETS  
June 30, 2012**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

**Total governmental fund balance** **\$ 1,003,474**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 3,510,319	
Accumulated depreciation	<u>(928,058)</u>	
		2,582,261

Long Term Receivables are not current financial resources and therefore are not reported as assets in governmental funds.

SFCC Receivables 1,660,818

Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds Payable	1,960,000	
Accrued sick leave	<u>25,355</u>	
		<u>(1,985,355)</u>

**Total Net Assets - Governmental Activities** **\$ 3,261,198**

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>				
TAXES	\$ 294,824	\$ -	\$ 15,947	\$ 310,771
STATE SOURCES	709,191	145,434	31,304	885,929
FEDERAL SOURCES	-	98,921	-	98,921
OTHER SOURCES	56,979	31,220	-	88,199
EARNINGS ON INVESTMENTS	<u>997</u>	<u>-</u>	<u>214</u>	<u>1,211</u>
<b>TOTAL REVENUES</b>	<b>1,061,991</b>	<b>275,575</b>	<b>47,465</b>	<b>1,385,031</b>
<b>EXPENDITURES:</b>				
INSTRUCTIONAL	463,383	243,712	-	707,095
STAFF SUPPORT SERVICES	14,891	414	-	15,305
DISTRICT ADMINISTRATION	235,255	-	-	235,255
SCHOOL ADMINISTRATION	126,414	3,336	-	129,750
BUSINESS SUPPORT SERVICES	137,744	-	-	137,744
PLANT OPERATION & MAINTENANCE	141,574	-	-	141,574
STUDENT TRANSPORTATION	40,497	-	-	40,497
COMMUNITY SERVICE OPERATIONS	-	29,206	-	29,206
DEBT PRINCIPAL	-	-	43,463	43,463
DEBT INTEREST	<u>-</u>	<u>-</u>	<u>11,766</u>	<u>11,766</u>
<b>TOTAL EXPENDITURES</b>	<b>1,159,758</b>	<b>276,668</b>	<b>55,229</b>	<b>1,491,655</b>
<b>EXCESS (DEFICIT) REVENUE OVER EXPENDITURES</b>	<b>(97,767)</b>	<b>(1,093)</b>	<b>(7,764)</b>	<b>(106,624)</b>
<b>OTHER SOURCES &amp; USES OF FUNDS</b>				
TRANSFERS FROM (TO) OTHER FUNDS	<u>(1,093)</u>	<u>1,093</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER SOURCES &amp; USES OF FUNDS</b>	<b>(1,093)</b>	<b>1,093</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(98,860)</b>	<b>-</b>	<b>(7,764)</b>	<b>(106,624)</b>
FUND BALANCES-BEGINNING	<u>908,241</u>	<u>-</u>	<u>201,857</u>	<u>1,110,098</u>
<b>FUND BALANCES-ENDING</b>	<b>\$ 809,381</b>	<b>\$ -</b>	<b>\$ 194,093</b>	<b>\$ 1,003,474</b>

See Accompanying Notes to the Financial Statements

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

AMOUNTS RECORDED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

**Net changes-governmental Funds** \$(106,624)

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.

Depreciation expense	\$(78,934)	
Capital Outlays	<u>59,469</u>	(19,465)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal paid	<u>43,462</u>	43,462
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In the statement of activities certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds however expenditures for these items are measured by the amount of financial resources used. This year amounts earned exceeded the compensated absences paid by

	<u>(2,709)</u>	(2,709)
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In the government-wide statement of activities the net gain on the the disposal of assets is reported at net value, whereas in the governmental funds the total proceeds from the sale increases financial resources. Thus the change in net assets differs from change in fund balances by the basis of the asset sold.

Basis of Asset Dispositions		<u>(1,661)</u>
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**Changes in Net Assets - Governmental Activities** **\$ (86,997)**

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
GENERAL FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE <u>(NEGATIVE)</u>
<b>REVENUES:</b>				
TAXES	\$ 294,824	\$ 313,223	\$ 294,824	\$ (18,399)
OTHER LOCAL SOURCES	128,048	1,200	56,979	55,779
STATE SOURCES	417,463	417,264	709,191	291,927
EARNINGS ON INVESTMENTS	-	-	997	997
<b>TOTAL REVENUES</b>	<u>840,335</u>	<u>731,687</u>	<u>1,061,991</u>	<u>330,304</u>
<b>EXPENDITURES:</b>				
INSTRUCTION	371,885	400,525	463,383	(62,858)
STAFF SUPPORT SERVICES	10,431	10,431	14,891	(4,460)
DISTRICT ADMINISTRATION	278,348	292,148	235,255	56,893
SCHOOL ADMINISTRATION	94,973	91,958	126,414	(34,456)
BUSINESS SUPPORT SERVICES	67,021	67,703	137,744	(70,041)
PLANT OPERATION & MAINTENANCE	311,395	370,569	141,574	228,995
STUDENT TRANSPORTATION	<u>51,180</u>	<u>43,793</u>	<u>40,497</u>	<u>3,296</u>
<b>TOTAL EXPENDITURES</b>	<u>1,185,233</u>	<u>1,277,127</u>	<u>1,159,758</u>	<u>117,369</u>
<b>EXCESS(DEFICIT)REVENUES OVER EXPENDITURES</b>	(344,898)	(545,440)	(97,767)	643,207
<b>OTHER SOURCES &amp; USES OF FUNDS</b>				
TRANSFERS FROM (TO) OTHER FUNDS	-	-	(1,093)	(1,093)
<b>TOTAL OTHER SOURCES &amp; USES OF FUNDS</b>	-	-	(1,093)	(1,093)
<b>NET CHANGE IN FUND BALANCE</b>	(344,898)	(545,440)	(98,860)	447,673
<b>FUND BALANCES-BEGINNING</b>	<u>435,000</u>	<u>435,000</u>	<u>908,241</u>	<u>-</u>
<b>FUND BALANCES-ENDING</b>	<u>\$ 90,102</u>	<u>\$ (110,440)</u>	<u>\$ 809,381</u>	<u>\$ 447,673</u>

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
SPECIAL REVENUE FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
OTHER LOCAL SOURCES	\$ 60,000	\$ 35,012	\$ 31,220	\$ (3,792)
STATE SOURCES	219,711	144,421	145,434	1,013
FEDERAL SOURCES	<u>353,229</u>	<u>73,806</u>	<u>98,921</u>	<u>25,115</u>
<b>TOTAL REVENUES</b>	<b>632,940</b>	<b>253,239</b>	<b>275,575</b>	<b>22,336</b>
<b>EXPENDITURES:</b>				
INSTRUCTIONAL	561,159	256,140	243,712	12,428
STUDENT SUPPORT SERVICES	-	-	-	-
STAFF SUPPORT SERVICES	1,828	914	414	500
DISTRICT ADMINISTRATION	3,794	1,897	-	1,897
SCHOOL ADMINISTRATION	4,116	2,058	3,336	(1,278)
STUDENT TRANSPORTATION	600	300	-	300
CENTRAL OFFICE	-	-	-	-
COMMUNITY SERVICE OPERATIONS	<u>61,043</u>	<u>29,206</u>	<u>29,206</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>632,540</b>	<b>290,515</b>	<b>276,668</b>	<b>13,847</b>
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>	<u>-</u>	<u>-</u>	<u>1,093</u>	<u>1,093</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>400</b>	<b>(37,276)</b>	<b>-</b>	<b>(37,276)</b>
FUND BALANCES-BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-ENDING	<u>\$ 400</u>	<u>\$ (37,276)</u>	<u>\$ -</u>	<u>\$ (37,276)</u>

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
CONSOLIDATING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2012**

	<u>CAPITAL OUTLAY FUNDS (SEEK)</u>	<u>BUILDING FUNDS (FSPK)</u>	<u>CONSTRUCTION FUNDS</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	\$ 12,758	\$ 150,705	\$ 30,630	\$ 194,093
<b>TOTAL ASSETS</b>	<u>12,758</u>	<u>150,705</u>	<u>30,630</u>	<u>194,093</u>
<b>FUND BALANCES</b>				
RESTRICTED FOR:				
CAPITAL PROJECTS	<u>12,758</u>	<u>150,705</u>	<u>30,630</u>	<u>194,093</u>
<b>TOTAL FUND BALANCES</b>	<u>12,758</u>	<u>150,705</u>	<u>30,630</u>	<u>194,093</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,758</u>	<u>\$ 150,705</u>	<u>\$ 30,630</u>	<u>\$ 194,093</u>

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>CAPITAL OUTLAY FUNDS</u>	<u>BUILDING FUND</u>	<u>CONSTRUCTION FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:				
TAXES	\$ -	\$ 15,947	\$ -	\$ 15,947
STATE SOURCES	10,377	20,927	-	31,304
INTEREST	<u>17</u>	<u>197</u>	<u>-</u>	<u>214</u>
TOTAL REVENUES	10,394	37,071	-	47,465
EXPENDITURES:				
DEBT SERVICE:				
PRINCIPAL	-	43,463	-	43,463
INTEREST	<u>-</u>	<u>11,766</u>	<u>-</u>	<u>11,766</u>
TOTAL EXPENDITURES	<u>-</u>	<u>55,229</u>	<u>-</u>	<u>55,229</u>
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	10,394	(18,158)	-	(7,764)
NET CHANGE IN FUND BALANCES	<u>10,394</u>	<u>(18,158)</u>	<u>-</u>	<u>(7,764)</u>
FUND BALANCES-BEGINNING	<u>2,364</u>	<u>168,863</u>	<u>30,630</u>	<u>201,857</u>
FUND BALANCES-ENDING	<u>\$ 12,758</u>	<u>\$ 150,705</u>	<u>\$ 30,630</u>	<u>\$ 194,093</u>

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**June 30, 2012**

	<u>FOOD SERVICE</u>	<u>TOTAL</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
CASH & CASH EQUIVALENTS	\$ 12,498	\$ 12,498
ACCOUNTS RECEIVABLE	4,602	4,602
INVENTORIES FOR CONSUMPTION	<u>5,037</u>	<u>5,037</u>
<b>TOTAL CURRENT ASSETS</b>	<b>22,137</b>	<b>22,137</b>
<b>NONCURRENT ASSETS</b>		
FURNITURE AND EQUIPMENT	43,481	43,481
LESS: ACCUMULATED DEPRECIATION	<u>(42,966)</u>	<u>(42,966)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b>515</b>	<b>515</b>
<b>TOTAL ASSETS</b>	<b><u>\$ 22,652</u></b>	<b><u>\$ 22,652</u></b>
<b>LIABILITIES</b>		
ACCOUNTS PAYABLE	<u>2,691</u>	<u>2,691</u>
<b>TOTAL LIABILITIES</b>	<b>2,691</b>	<b>2,691</b>
<b>NET ASSETS</b>		
NONSPENDABLE INVESTMENT IN INVENTORIES RESTRICTED FOR FEEDING PROGRAMS	5,037	5,037
	<u>14,924</u>	<u>14,924</u>
<b>TOTAL NET ASSETS</b>	<b><u>19,961</u></b>	<b><u>19,961</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 22,652</u></b>	<b><u>\$ 22,652</u></b>

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUE EXPENDITURES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FOOD</u>	<u>SERVICE</u>	
			<u>TOTAL</u>
<b>OPERATING REVENUES:</b>			
LUNCHROOM SALES			
OTHER OPERATING REVENUES			
<b>TOTAL OPERATING REVENUES</b>	<u>10,383</u>	<u>10,383</u>	<u>10,383</u>
<b>OPERATING EXPENSES:</b>			
SALARIES AND BENEFITS	36,339	36,339	36,339
CONTRACT SERVICES	1,492	1,492	1,492
MATERIALS AND SUPPLIES	42,674	42,674	42,674
DEPRECIATION	19	19	19
<b>TOTAL OPERATING EXPENSES</b>	<u>80,524</u>	<u>80,524</u>	<u>80,524</u>
<b>OPERATING INCOME (LOSS)</b>	(70,141)	(70,141)	(70,141)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
FEDERAL GRANTS	78,064	78,064	78,064
STATE AID	6,688	6,688	6,688
<b>TOTAL NONOPERATING REVENUE</b>	<u>84,752</u>	<u>84,752</u>	<u>84,752</u>
<b>CHANGE IN NET ASSETS</b>	14,611	14,611	14,611
<b>TOTAL NET ASSETS-BEGINNING</b>	<u>5,350</u>	<u>5,350</u>	<u>5,350</u>
<b>TOTAL NET ASSETS-ENDING</b>	<u>\$ 19,961</u>	<u>\$ 19,961</u>	<u>\$ 19,961</u>

See Accompanying Notes to the Financial Statements  
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**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FOOD SERVICE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
RECEIPTS FROM CUSTOMERS	\$ 10,383
PAYMENTS TO SUPPLIERS	(43,054)
PAYMENTS TO AND BENEFITS FOR EMPLOYEES	<u>(36,339)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(69,010)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
INTERGOVERNMENTAL REVENUE RECEIVED	80,150
PURCHASES OF CAPITAL ASSETS	<u>(534)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL ACTIVITIES</b>	<u>79,616</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,606
<b>CASH BALANCE BEGINING OF YEAR</b>	<u>1,892</u>
<b>CASH BALANCE END OF YEAR</b>	<u>\$ 12,498</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES:**

CHANGE IN NET ASSETS	14,611
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**RECONCILING ITEMS :**

INTERGOVERNMENTAL REVENUE RECEIVED	80,150
DEPRECIATION	(19)
CHANGES IN ACCOUNTS RECEIVABLE	(4,602)
CHANGES IN ACCOUNTS PAYABLE	2,691
CHANGES IN INVENTORY	<u>(1,579)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ (69,010)</u>

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Board of Education of the West Point Independent School District ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of West Point Independent School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Board of Education of the West Point Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements.

Board of Education of the West Point Independent School District Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the West Point Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

The district-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS- Continued**  
**YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Basis of Presentation- Continued

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Trustee fiduciary activities are separately reported.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. Revenues are recognized as soon as they are both measurable and available. 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes collected by third parties but not yet remitted and interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District has the following funds:

I. Government Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS- Continued**  
**YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Presentation - continued

- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

D) Debt Service Funds

All debt service activity is shown within the Capital Outlay, Building and General Funds.

III. Proprietary Fund Type

This fund applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

This is an enterprise fund and therefore accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) to provide certain goods and service to the general public be financed or recovered primarily through user charges or where the governing body has deemed that periodic determination of net income is appropriate for purposes of monitoring capital maintenance, accountability, or other purposes.

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have not been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

IV. Fiduciary Fund Type (Agency Funds)

The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS- Continued**  
**YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fiduciary Fund Type (Agency Funds) - continued

Amounts reported as program revenues include 1) charges to customers for goods, or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied due to the uncertain nature of collections of these types of taxes amounts due but not collected within sixty days are reflected in future periods as revenue from delinquent taxes.

On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available .Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. In general, the District considers available to mean, expected to be received within sixty days of the fiscal year-end. The District deviates from this policy only in the Special Revenue Fund where upon state recommendation all receivables derived from expenditures under federal grants programs are recorded in full regardless of the time frame for full collection of such receivables. Such treatment does not materially affect financial statement presentation since all such receivables are fully collectible and have no liabilities associated with the amounts since all such receivables represent reimbursements of previously disbursed amounts.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource is required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. When received the fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

In the district-wide financial statements, expenses are classified by function. In the fund financial statements, governmental fund expenditures are classified by character: current, debt service, and capital outlay. The district applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the district considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property taxes are levied by September 30 on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes are recorded as revenues in the fiscal year for which they were levied only to the extent that they are collected in time to satisfy debts of the current period. This deviation from Governmental Accounting Principles is due to the uncertainty associated with future collections which are handled by other entities and is not believed to have a material effect on the financial statements.

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.9510 per \$100 valuation for real property, \$.9510 per \$100 valuation for business personal property and \$.582 per \$100 valuation for motor vehicles.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

**Interfund Receivables and Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans and obligations paid by the general fund but not yet reimbursed by the incurring fund are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

**Budgetary Basis of Accounting:**

The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The Board adopts and approves budgets in accordance with KRS 160 among other state statutes.

Once the budget is approved, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

The budgetary basis approximates Generally Accepted Accounting Principles with the following exceptions

Revenue amounts related to fundraising and on-behalf amounts paid for post retirement benefits by the State of Kentucky were not included in the current year budget.

Fundraising expenditures and expenditures related to disbursements for post retirement benefits made by the State of Kentucky were not included in the current year budget.

**Cash and Cash Equivalents**

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents for the proprietary statement of cash flows and statement of net assets and balance sheet classifications.

**Inventories**

On district-wide financial statements significant inventories of supplies and materials are stated at cost and are expensed when used. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased.

The school food service fund inventory consists of food, supplies and U.S. Government commodities. Costs are determined using the specific identification method.

**Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS- Continued**  
**YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance Designations

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance**—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance**—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned fund balance**—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.
- **Unassigned fund balance**—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS- Continued**  
**YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Encumbrances

Encumbrances are reported as an assignment of fund balance and are not reported as expenditures until incurred. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided in the governmental funds balance sheet. At year end the district had no outstanding encumbrances.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter fund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS**

State statutes authorize the District to invest in

- (a) Obligations of the United States and of its agencies and instrumentalities
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency
- (c) Obligations of any corporation of the United States government, including but not limited to:
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- (j) Shares of mutual funds, each of which shall have the following characteristics:
  1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

**NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS – Continued**

2. The management company of the investment company shall have been in operation for at least five (5) years; and
3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The District maintains cash and money market accounts in accordance with state statutes. The carrying amount of the District's cash deposits was \$880,472 at June 30, 2012. The bank balances at June 30, 2012 were \$945,563 which were classified as to security as discussed below.

Fully FDIC Insured	250,000
Collateralized by Securities Held by the Pledging Institution in the district's name	0
Collateralized by Securities by the Pledging Institution Not in the district's name	694,563
Uninsured and Uncollateralized	<u>1,000</u>
Total	<u>\$945,563</u>

**All Carrying Values Approximate Fair Value**

Throughout the year the district at times held a money market type account with Fifth Third Securities. At year-end the balance was \$0. No rating was able to be determined for the governmental security based money market.

Custodial credit risk is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The district addresses such risk by investing only with highly regarded institutions.

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the District's pooled cash and investments.

**NOTE C - RECEIVABLES**

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout each year, accounts and grants receivable from outside sources may be grouped into the following categories, (as stated in the District-wide financial statements):

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made. The amounts recorded as Taxes Receivable on both the Statement of assets Liabilities and Fund Financial Statements represent amounts received within 60 days from the close of the year. No provision has been made for the possibility of future collections due to an inability to accurately determine any such amounts. Management believes any such amounts if determinable would not be of audit significance.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

**NOTE D - LONG-TERM OBLIGATIONS**

Maturities on these Obligations are as follows:

2013	100,000
2014	105,000
2015	105,000
2016	110,000
2017	110,000
Thereafter	<u>1,430,000</u>
Total Bonded Debt	<u>\$ 2,095,000</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2012 is follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amount Due in One Year
Governmental Activities					
Bonded debt and lease obligations	\$ 2,095,000	\$ -	\$ 135,000	\$ 1,960,000	\$ 135,000
Accrued sick leave	<u>22,646</u>	<u>2,709</u>	<u>-</u>	<u>25,355</u>	<u>-</u>
	<u>\$ 2,117,646</u>	<u>\$ 2,709</u>	<u>\$ 135,000</u>	<u>\$ 1,985,355</u>	<u>\$ 135,000</u>

The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized on a separate page at the end of these notes.

The District, through either the General Fund or the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Board of Education of the West Point Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

For governmental activities, compensated absences and are liquidated by the general fund.

Total interest expense equaled \$11,766 and was charged as direct expense to Instructional Expenditures.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on page 39 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The District has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Assets since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) as noted above are included

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

on the final pages of these notes.

**NOTE E - LITIGATION**

The District is subject to legal actions in the ordinary course of business the outcome of which is not determinable. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of any cases presently in progress.

**NOTE F – CONTINGENCIES & ECONOMIC DEPENDENCIES**

The District receives a significant amount of funding from Federal, State and Local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of moneys advanced, or refuse to reimburse the District for its disbursements.

The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE G - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

**NOTE H – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating Transfer	General	Special Revenue	Grant Match	\$ 1,093

**NOTE I - CAPITAL ASSETS**

Depreciation was allocated to governmental functions as follows:

INSTRUCTIONAL	\$ 67,669
STUDENT SUPPORT SERVICES	121
STAFF SUPPORT SERVICES	1,630
DISTRICT ADMINISTRATION	4,376
SCHOOL ADMINISTRATION	11
BUSINESSADMINISTRATION	231
PLANT OPERATION & MAINTENANCE	1,475
STUDENT TRANSPORTATION	3,421
TOTAL	<u>\$ 78,934</u>

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS- Continued**  
**YEAR ENDED JUNE 30, 2012**

**NOTE I - CAPITAL ASSETS - Continued**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	6/30/11	ADDITIONS	RETIREMENTS	6/30/12
<b>GOVERNMENTAL ACTIVITIES:</b>				
LAND AND IMPROVEMENTS	\$ 130,709		\$ 21,957	\$ 108,752
BUILDINGS & BUILDING IMPROVEMENTS	3,208,017	49,650	-	3,257,667
TECHNOLOGY EQUIPMENT	197,680	9,819	148,429	59,070
VEHICLES	62,979	-	-	62,979
GENERAL EQUIPMENT	<u>27,762</u>	<u>-</u>	<u>5,911</u>	<u>21,851</u>
TOTALS AT HISTORICAL COST:	<u>3,627,147</u>	<u>59,469</u>	<u>176,297</u>	<u>3,510,319</u>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
LAND AND IMPROVEMENTS	97,080	3,552	21,957	78,675
BUILDINGS & BUILDING IMPROVEMENTS	673,112	64,502	-	737,614
TECHNOLOGY EQUIPMENT	181,103	5,844	146,768	40,179
VEHICLES	57,133	3,421	-	60,554
GENERAL EQUIPMENT	<u>15,332</u>	<u>1,615</u>	<u>5,911</u>	<u>11,036</u>
TOTAL ACCUMULATED DEPRECIATION:	<u>(1,023,760)</u>	<u>(78,934)</u>	<u>174,636</u>	<u>(928,058)</u>
GOVERNMENTAL ACTIVITIES CAPITAL NET	<u>2,603,387</u>			<u>2,582,261</u>
<b>PROPRIETARY ACTIVITIES:</b>				
TECHNOLOGY EQUIPMENT	1,007	534	1,007	534
GENERAL EQUIPMENT	<u>42,947</u>	<u>-</u>	<u>-</u>	<u>42,947</u>
TOTALS AT HISTORICAL COST	<u>43,954</u>	<u>534</u>	<u>1,007</u>	<u>43,481</u>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
TECHNOLOGY EQUIPMENT	1,007	19	1,007	19
GENERAL EQUIPMENT	<u>42,947</u>	<u>-</u>	<u>-</u>	<u>42,947</u>
TOTAL ACCUMULATED DEPRECIATION:	<u>(43,954)</u>	<u>(19)</u>	<u>1,007</u>	<u>(42,966)</u>
PROPRIETARY ACTIVITIES CAPITAL NET	<u>\$ -</u>			<u>\$ 515</u>

**NOTE J - RETIREMENT PLANS**

The District's non certified personnel participate in the County Employees Retirement System (CERS) which is administered by the Board of Trustees of the Kentucky Retirement Systems. CERS is a multiple employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan and hazardous covered employees are required to contribute 8 percent of their salary. The District's contribution rate for nonhazardous employees was 18.96 percent and for hazardous employees it was 35.76 percent. Employees whose hire date is after September 1, 2008 pay an additional 1 percent of compensation to offset anticipated increases in post-employment insurance costs.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65; benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

**NOTE J - RETIREMENT PLANS – Continued**

The District's certified personnel participate in the Teachers' Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system and other educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of those requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

The Commonwealth of Kentucky is required to contribute 13.605 percent of salaries for members in a state retirement system before July 1, 2008 and 14.105 percent of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

The District contribution requirement for both KTRS and CERS for the year ended June 30, 2012 represent less than 1% of total contributions to the programs.

The District's total payroll for the year was \$855,850. The payroll for employees covered under KTRS was \$413,678. The payroll for employees covered under CERS was \$222,185. The chart below outlines the districts obligations under these plans. District funding of KTRS represents those employees covered by federal programs and the districts additional .25% funding requirement.

The required contributions, which is equal to what the District paid, to this plan for the last three years ending June 30th are as follows:

	District Funded CERS	District Funded KTRS	State Funded KTRS
2012	\$ 41,597	\$ 7,492	\$ 79,693
2011	\$ 43,145	\$ 2,972	\$ 72,460
2010	\$ 49,446	\$ 2,883	\$ 68,226

The District also offers employees the option to participate in a defined contribution plan under Section 401(K) and 457 of the Internal Revenue Code. All employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute require CERS and KTRS to provide access to post-retirement healthcare benefits to eligible members and dependents. The systems' Medical Insurance benefits are cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

**NOTE J - RETIREMENT PLANS - Continued**

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75 percent of members’ gross salaries. Those who became members before July 1, 2008 contribute .75 percent of salary to the plan. Member contributions are 1.75 percent of salary for those who became members after July 1, 2008.

Additionally , the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**NOTE K- SUBSEQUENT EVENTS**

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through November 1, 2012 the date on which the financial statements were available to be issued.

Subsequent to year end the District elected to dispose of its existing buses and obtain an operating lease for a newer bus to use in transporting students.

**NOTE L – LEASE OBLIGATIONS**

The District is obligated to make payments in the amount of \$ 377.98 per month \$4,535.76 annually through June 2015) on a lease agreement contract through Xerox Corporation for two Xerox copiers. Additionally the contract calls for a payment of six or seven tenths of a cent per copy, depending upon the type copy produced. A summary of changes in lease obligations is as follows

<u>Governmental Activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Amount Due in One Year</u>
Lease Obligations	\$ 18,144	\$ -	\$ 4,536	\$ 13,608	\$ 4,536

Five year maturities on lease obligations are as follows:

<u>Year ending June 30,</u>	
2013	4,536
2014	4,536
2015	<u>4,536</u>
Total	<u>\$ 13,608</u>

Lease expenditures without regard to per copy charges were \$4,536 for the year ended June 30, 2012.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS- Continued  
YEAR ENDED JUNE 30, 2012**

**NOTE M - STEWARDSHIP**

The following funds incurred expenditures in excess of appropriations in the following areas for the year ended June 30, 2012:

<b>General Fund:</b>	
Instruction	\$ 62,858
Staff Support Services	4,460
School Administration	34,456
Business Support Service	70,041
Transfers to Other Funds	1,093
<b>Special Revenue Funds:</b>	
School Administration	\$ 1,278

The excess expenditures were covered by current year revenues in excess of budget or reductions in other expenditure categories.

**NOTE N - NET ASSETS**

At June 30, 2012, net assets of the primary government consisted of the following

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Invested in capital assets, net of related debt:		
Net property, plant, and equipment	\$ 2,582,261	\$ 515
Less:		
General obligation bonds payable, net of state portion	<u>(299,182)</u>	<u>-</u>
Total invested in capital assets, net of related debt	2,283,079	515
Restricted for Capital Projects	194,093	-
Restricted for Sick leave	25,355	-
Restricted for Feeding Programs	-	21,025
Unrestricted	<u>758,671</u>	<u>-</u>
Total net assets	<u>\$ 3,261,198</u>	<u>\$ 21,540</u>

**NOTE O - FUND EQUITY**

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the District had \$194,093 restricted in the nonmajor funds for capital projects.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2012; \$25,355 for sick leave.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS- Continued**  
**YEAR ENDED JUNE 30, 2012**

**NOTE O - FUND EQUITY-Continued**

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The amount assigned related to Budgeted expenditures in excess of anticipated receipts at June 30, 2012 was \$558,754. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**NOTE P - ON BEHALF PAYMENTS**

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2012, was \$215,597. These payments were recorded as follows:

General Fund	\$ 208,909
Food Service Fund	<u>6,688</u>
Total	<u>\$ 215,597</u>

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**SCHEDULE OF BOND MATURITY - 2008 ISSUE**

	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Total</u>		<u>Principal</u>		<u>Total</u>
					<u>SFCC</u>	<u>Local</u>	<u>SFCC</u>	<u>Local</u>	
August 1, 2012	-		35,756.25	35,756.25	30,362.73	5,393.52	-	-	-
February 1, 2013	100,000.00	3.250%	35,756.25	135,756.25	109,592.73	26,163.52	79,230.00	20,770.00	100,000.00
August 1, 2013	-		34,131.25	34,131.25	29,075.24	5,056.01	-	-	-
February 1, 2014	105,000.00	3.250%	34,131.25	139,131.25	110,880.24	28,251.01	81,805.00	23,195.00	105,000.00
August 1, 2014	-		32,425.00	32,425.00	27,745.91	4,679.09	-	-	-
February 1, 2015	105,000.00	3.300%	32,425.00	137,425.00	112,208.91	25,216.09	84,463.00	20,537.00	105,000.00
August 1, 2015	-		30,692.50	30,692.50	26,352.27	4,340.23	-	-	-
February 1, 2016	110,000.00	3.300%	30,692.50	140,692.50	113,603.27	27,089.23	87,251.00	22,749.00	110,000.00
August 1, 2016	-		28,877.50	28,877.50	24,912.63	3,964.87	-	-	-
February 1, 2017	110,000.00	3.500%	28,877.50	138,877.50	115,042.63	23,834.87	90,130.00	19,870.00	110,000.00
August 1, 2017	-		26,952.51	26,952.51	23,335.36	3,617.15	-	-	-
February 1, 2018	110,000.00	3.500%	26,952.51	136,952.51	116,620.36	20,332.15	93,285.00	16,715.00	110,000.00
August 1, 2018	-		25,027.50	25,027.50	21,702.87	3,324.63	-	-	-
February 1, 2019	110,000.00	3.650%	25,027.50	135,027.50	118,252.87	16,774.63	96,550.00	13,450.00	110,000.00
August 1, 2019	-		23,020.00	23,020.00	19,940.83	3,079.17	-	-	-
February 1, 2020	115,000.00	3.650%	23,020.00	138,020.00	120,014.83	18,005.17	100,074.00	14,926.00	115,000.00
August 1, 2020	-		20,921.25	20,921.25	18,114.48	2,806.77	-	-	-
February 1, 2021	120,000.00	3.650%	20,921.25	140,921.25	121,840.48	19,080.77	103,726.00	16,274.00	120,000.00
August 1, 2021	-		18,731.25	18,731.25	16,221.48	2,509.77	-	-	-
February 1, 2022	125,000.00	3.750%	18,731.25	143,731.25	123,733.48	19,997.77	107,512.00	17,488.00	125,000.00
August 1, 2022	-		16,387.50	16,387.50	14,205.63	2,181.87	-	-	-
February 1, 2023	130,000.00	3.750%	16,387.50	146,387.50	125,749.63	20,637.87	111,544.00	18,456.00	130,000.00
August 1, 2023	-		13,950.00	13,950.00	12,114.18	1,835.82	-	-	-
February 1, 2024	135,000.00	3.875%	13,950.00	148,950.00	127,841.18	21,108.82	115,727.00	19,273.00	135,000.00
August 1, 2024	-		11,334.38	11,334.38	9,871.97	1,462.41	-	-	-
February 1, 2025	140,000.00	3.875%	11,334.38	151,334.38	130,082.97	21,251.41	120,211.00	19,789.00	140,000.00
August 1, 2025	-		8,621.87	8,621.87	7,542.88	1,078.99	-	-	-
February 1, 2026	145,000.00	3.875%	8,621.87	153,621.87	132,411.88	21,209.99	124,869.00	20,131.00	145,000.00
August 1, 2026	-		5,812.50	5,812.50	5,123.54	688.96	-	-	-
February 1, 2027	150,000.00	3.875%	5,812.50	155,812.50	134,830.54	20,981.96	129,707.00	20,293.00	150,000.00
August 1, 2027	-		2,906.25	2,906.25	2,610.47	295.78	-	-	-
February 1, 2028	150,000.00	3.875%	2,906.25	152,906.25	137,344.47	15,561.78	134,734.00	15,266.00	150,000.00
<b>Totals</b>	<b>\$ 1,960,000.00</b>		<b>\$ 671,095.02</b>	<b>\$ 2,631,095.02</b>	<b>\$ 2,239,282.94</b>	<b>\$ 391,812.08</b>	<b>\$ 1,660,818.00</b>	<b>\$ 299,182.00</b>	<b>\$ 1,960,000.00</b>

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS - SCHOOL ACTIVITY FUNDS**  
**June 30, 2012**

	<b>STUDENT ACTIVITY FUNDS</b>
<b>ASSETS</b>	
CASH	\$ 24,899
<b>TOTAL ASSETS</b>	<b>24,899</b>
<b>LIABILITIES AND FIDUCIARY NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
ACCOUNTS PAYABLE	259
<b>TOTAL LIABILITIES</b>	<b>259</b>
<b>FIDUCIARY NET ASSETS:</b>	
UNRESERVED	24,640
<b>TOTAL LIABILITIES AND FIDUCIARY NET ASSETS</b>	<b>\$ 24,899</b>

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FIDUCIARY NET ASSETS - SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>STUDENT ACTIVITY FUNDS</u>
<b>REVENUES:</b>	
LOCAL SOURCES	\$ 31,020
<b>EXPENDITURES:</b>	
STUDENT BODY ACTIVITIES	<u>28,023</u>
EXCESS (DEFECIT) REVENUE OVER EXPENDITURES	2,997
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>21,643</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 24,640</u>

*See Accompanying Notes to the Financial Statements*

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2012**

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**Section I – Current Year Statement of Findings**

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**2012-1**

**Statement of Condition:**

The Organization lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements and accompanying note disclosures in conformity with generally accepted accounting principles.

**Criteria:**

The Organization is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principle.

**Effect of Condition:**

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

**Recommendation:**

We recommend management review the costs and benefits involved to retain a consultant with the required expertise required to draft the financial statements and accompanying note disclosures in conformity with generally accepted accounting principles.

**Response:**

This is an ongoing finding. Management has determined that it is the most cost effective to continue to engage the auditor to draft the financial statements and related notes.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2012**

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**Section II – Prior Year Statement of Findings**

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**2011-1**

**Statement of Condition:**

The Organization lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements and accompanying note disclosures in conformity with generally accepted accounting principles.

**Criteria:**

The Organization is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principle.

**Effect of Condition:**

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

**Recommendation:**

We recommend management review the costs and benefits involved to retain a consultant with the required expertise required to draft the financial statements and accompanying note disclosures in conformity with generally accepted accounting principles.

**Response:**

This is an ongoing finding. Management has determined that it is the most cost effective to continue to engage the auditor to draft the financial statements and related notes.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2012**

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**Section II – Prior Year Statement of Findings**

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**2011-2**

**Statement of Condition:**

The district is unable to reconcile its net asset listings with the net amounts reflected in its financial statements

**Criteria:**

Good accounting practices and asset management require that periodic inventories be taken to assure that no assets have been retired, lost, stolen or destroyed which have not been reflected in the accounting record.

**Effect of Condition:**

The existence of certain fully depreciated assets below the threshold of audit significance could not be verified.

**Recommendation:**

The district should endeavor to perform a full inventory of all capitalized assets as soon as practical.

**Response:**

The district acknowledged the shortcomings in its fixed asset records. A review of all fixed asset records and reconciliation of those records to existing assets was performed prior to the completion of the 2011-2012 fiscal audit. A significant number of assets were determined to be outdated or discarded and resulted in retirement and subsequent purging of the inventory listing.

**Report on Internal Control over Financial Reporting and on Compliance and on other matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Members of the Board of Education  
Board of Education of the West Point Independent School District  
West Point, Kentucky

We have audited the financial statements of the governmental activities, the business-type activity each major fund, and the aggregate remaining fund information of the Board of Education of West Point Independent School District, as of and for the year ended June 30, 2012, which collectively comprise the Board of Education of the West Point Independent School District's basic financial statements and have issued our report thereon dated November 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, in *Appendix II of the Independent Auditor's Contract – State Audit Requirements* and in *Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report*.

**Internal Control over Financial Reporting**

Management the Board of Education of West Point Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board of Education of West Point Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Education of the West Point Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Point Independent School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*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 a 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. We identified a deficiency in internal control over financial reporting that we considered to be a material weaknesses, as defined above which is, described in the accompanying schedule of findings as finding 2012-1.

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. By definition, the item noted above is also a significant deficiency in West Point Independent School District's internal system.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board of Education of the West Point Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the independent Auditor's Contract – State Audit Requirements*.

We noted certain other matters that we reported to management of the West Point Independent School District in a separate letter dated November 1, 2012.

The Board of Education of the West Point Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board of Education of the West Point Independent School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of the West Point Independent School District, others within the District the Kentucky Department of Education management 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.



Stephens & Lawson CPAs  
Louisville, Kentucky  
November 1, 2012