

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2013

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the *Kentucky Public School Districts' Audit Contract and Requirements* (inclusive of all appendices). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 activities, each major fund, and the aggregate remaining fund information of the Board of Education of West Point Independent School District, as of June 30, 2013,

and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of West Point Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board of Education of West Point Independent School District's internal control over financial reporting and compliance.

Stephens and Lawson CPAs

Louisville, Kentucky
October 25, 2013

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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, 2013. 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 \$ 880,472.
- Due to declining enrollment and state revenues, the District's plan was to conservatively monitor expenses.
- 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, 2013. 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.
- New housing developments in our area bode well for future increases in student enrollment. These developments are underway but not totally on schedule. 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 waiver from 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 an \$809,381 carry forward balance from 2012, 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 2013, has maintained the maximum tax rates for motor vehicles, general property, and personal property for FY 2013 permitted under Subsection 1 of the tax code.

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.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
YEAR ENDED JUNE 30, 2013**

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 position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found beginning on page 9 of this report.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses 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 beginning on page 11 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 beginning on page 24 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position 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 \$3.1 million as of June 30, 2013.

The largest portion of the District's net position 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.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
YEAR ENDED JUNE 30, 2013**

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

	<u>2013</u>	<u>2012</u>
Current Assets	\$ 974,425	\$ 1,045,859
Non-Current Assets	1,581,588	1,660,818
Capital Assets	<u>2,534,671</u>	<u>2,582,776</u>
Total Assets	5,090,684	5,289,453
Current Laibilities	155,579	122,939
Non-Current Laibilities	<u>1,812,005</u>	<u>1,885,355</u>
Total Liabilities	1,967,584	2,008,294
Net Investment in Capital Assets	2,256,259	2,283,594
Restricted Net Position	245,106	238,894
Unrestricted Net Position	<u>621,735</u>	<u>758,671</u>
Total Net Position	\$ 3,123,100	\$ 3,281,159

Comments on Budget Comparisons

- General fund budget compared to actual revenue varied somewhat from line item to line item with the ending actual revenue being approximately \$50,000 more than budget or approximately five percentage points.
- 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, 2013**

The following table presents a summary of activities for the fiscal year ended June 30, 2012 and June 30, 2013.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	FY 2013	FY 2012	FY 2013	FY 2012
PROGRAM REVENUES				
Ad Valorem Taxes	\$ 343,861	\$ 310,771	\$ -	\$ -
Other Taxes	42,474	-	-	-
Investment Earnings	2,167	1,211	-	-
Miscellaneous	111,764	12,294	10,128	10,383
Charges for Services	-	-	-	-
Loss on Sale of Assets	(569)	(1,661)	-	-
Operating Grants and Contributions	953,321	984,766	84,650	84,752
Capital Grants and Contributions	<u>30,488</u>	<u>75,989</u>	-	-
Total Revenues	<u>1,483,506</u>	<u>1,383,370</u>	<u>94,778</u>	<u>95,135</u>
PROGRAM EXPENDITURES				
Instructional	756,401	715,296	-	-
Student Support Services	-	121	-	-
Staff Support Services	13,056	16,935	-	-
District Administration	303,662	239,631	-	-
School Administration	142,744	129,761	-	-
Business Support Services	78,834	137,975	-	-
Plant Operation and Maintenance	150,765	143,049	-	-
Student Transportation	66,206	43,918	-	-
Community Service Operations	28,834	29,206	-	-
Food Service	-	-	92,679	80,524
Facilities and Acquisition	-	-	-	-
Change in Accrued Sick Leave	(8,541)	2,709	-	-
Insurance Trust Assessment	40,211	-	-	-
Interest on Long Term Debt	<u>71,512</u>	<u>11,766</u>	-	-
Total Expenditures	<u>1,643,684</u>	<u>1,470,367</u>	<u>92,679</u>	<u>80,524</u>
CHANGE IN NET POSITION	<u>(160,178)</u>	<u>(86,997)</u>	<u>2,099</u>	<u>14,611</u>
BEGINNING NET POSITION	<u>3,261,198</u>	<u>3,348,195</u>	<u>19,961</u>	<u>5,350</u>
ENDING NET POSITION	<u>\$ 3,101,020</u>	<u>\$ 3,261,198</u>	<u>\$ 22,060</u>	<u>\$ 19,961</u>

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

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
YEAR ENDED JUNE 30, 2013**

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 financial 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 position 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 position.

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 \$904,751, which is similar to last year's reported total of \$1,003,474. The fund balance of the General Fund decreased in excess of \$110,000. Fund balance highlights are:

- The District has a general fund balance of nearly \$700,000 representing a 6 month reserve.
- The majority of revenue was derived from state and federal funding (67%) with local taxes making up 26% of total revenue
- The total cost of all programs and services for governmental activities was approximately \$1.5 million net of debt service.
- The building and capital projects funds ended the fiscal year with a fund balance of over \$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 District's total revenues for governmental activities for the fiscal year ended June 30, 2013, net of inter-fund transfers and bond proceeds, exceeded \$1.4 million.

School Allocation

Regular Instruction and staff support services accounted for 46% and 1% of the school level expenditures respectively.

Central Office Allocation

Central support services expenditures were Transportation 4%, Maintenance and Operations 9%, and Business Functions 5%.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
YEAR ENDED JUNE 30, 2013**

Fixed Assets

The District added technology infrastructure and security hardware totaling approximately Twenty Eight 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.

Net position highlights are:

- Net position of the Food Service Fund increased \$2,099, 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 2012-13 by \$108,561. 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.

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amount Due in One Year
Governmental Activities					
Bonded debt and lease obligations	\$ 1,960,000	\$ -	\$ 100,000	\$ 1,860,000	\$ 105,000
Accrued sick leave	25,355	-	8,561	16,794	-
	<u>\$ 1,985,355</u>	<u>\$ -</u>	<u>\$ 108,561</u>	<u>\$ 1,876,794</u>	<u>\$ 105,000</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. 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 POSITION
June 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS	\$ 838,389	\$ 8,071	\$ 846,460
ACCOUNTS RECEIVABLE:			
TAXES	11,507	-	11,507
GRANTS RECEIVABLE	102,904	8,207	111,111
INVENTORIES FOR CONSUMPTION	-	5,347	5,347
SFCC RECEIVABLE FOR BOND PAYMENT	1,581,588	-	1,581,588
NONDEPRECIATED CAPITAL ASSETS:			
LAND	14,980	-	14,980
DEPRECIATED CAPITAL ASSETS:			
LAND IMPROVEMENTS	93,772	-	93,772
BUILDINGS AND IMPROVEMENTS	3,257,667	-	3,257,667
FURNITURE AND EQUIPMENT	171,305	44,015	215,320
LESS: ACCUMULATED DEPRECIATION	(1,003,488)	(43,580)	(1,047,068)
TOTAL ASSETS	\$ 5,068,624	\$ 22,060	\$ 5,090,684
LIABILITIES			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE	\$ 2,350	\$ -	\$ 2,350
ACCRUED PAYROLL & RELATED EXPENSES	787	-	787
DEFERRED REVENUES	47,442	-	47,442
BOND OBLIGATIONS PAYABLE WITHIN ONE YEAR	105,000	-	105,000
LONG-TERM LIABILITIES:			
ACCRUED SICK LEAVE	16,794	-	16,794
ESTIMATED INSURANCE TRUST ASSESSMENT	40,211	-	40,211
BOND OBLIGATIONS PAYABLE AFTER ONE YEAR	1,755,000	-	1,755,000
TOTAL LIABILITIES	1,967,584	-	1,967,584
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	2,255,824	435	2,256,259
RESTRICTED FOR:			
CAPITAL PROJECTS	206,687	-	206,687
ACCRUED SICK LEAVE	16,794	-	16,794
FEEDING PROGRAMS	-	21,625	21,625
UNRESTRICTED	621,735	-	621,735
TOTAL NET POSITION	3,101,040	22,060	3,123,100
TOTAL LIABILITIES AND NET POSITION	\$ 5,068,624	\$ 22,060	\$ 5,090,684

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, 2013**

FUNCTION/PROGRAMS	PROGRAM REVENUES						NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
INSTRUCTIONAL	\$ 756,401	\$ -	\$ 202,210	\$ -	\$ (554,191)	\$ -	\$ (554,191)
STAFF SUPPORT SERVICES	13,056	-	850	-	(12,206)	-	(12,206)
DISTRICT ADMINISTRATION	303,662	-	2,016	-	(301,646)	-	(301,646)
SCHOOL ADMINISTRATION	142,744	-	4,092	-	(138,652)	-	(138,652)
BUSINESS SUPPORT SERVICES	78,834	-	-	-	(78,834)	-	(78,834)
PLANT OPERATION AND MAINTENANCE	150,765	-	-	-	(150,765)	-	(150,765)
STUDENT TRANSPORTATION	66,206	-	-	-	(66,206)	-	(66,206)
COMMUNITY SERVICE OPERATIONS	28,834	-	28,834	-	-	-	-
FACILITIES AND ACQUISITION	-	-	-	30,488	30,488	-	30,488
STATE AID-FORMULA GRANTS	-	-	654,594	-	654,594	-	654,594
CHANGE IN ACCRUED SICK LEAVE ESTIMATE	(8,561)	-	-	-	8,561	-	8,561
INSURANCE TRUST ASSESSMENT	40,211	-	-	-	(40,211)	-	(40,211)
INTEREST ON LONG-TERM DEBT	71,512	-	60,725	-	(10,787)	-	(10,787)
TOTAL GOVERNMENTAL ACTIVITIES	1,643,664	-	953,321	30,488	(659,855)	-	(659,855)
BUSINESS-TYPE ACTIVITIES	92,679	10,128	84,650	-	-	2,099	2,099
FOOD SERVICE	92,679	10,128	84,650	-	-	2,099	2,099
TOTAL BUSINESS-TYPE ACTIVITIES	92,679	10,128	84,650	-	-	2,099	2,099
TOTAL SCHOOL DISTRICT	\$ 1,736,343	\$ 10,128	\$ 1,037,971	\$ 30,488	\$ (659,855)	\$ 2,099	\$ (657,756)
GENERAL REVENUES AND TRANSFERS:							
AD VALOREM TAXES	-	-	343,861	-	\$ 343,861	\$ -	\$ 343,861
OTHER TAXES	-	-	42,474	-	42,474	-	42,474
INVESTMENT EARNINGS	-	-	2,167	-	2,167	-	2,167
MISCELLANEOUS	-	-	111,764	-	111,764	-	111,764
LOSS ON DISPOSITION OF ASSETS	-	-	(569)	-	(569)	-	(569)
TOTAL GENERAL & SPECIAL REVENUES AND TRANSFERS	499,697	-	499,697	-	499,697	-	499,697
CHANGE IN NET POSITION	(158,059)	2,099	(160,158)	-	2,099	(158,059)	(158,059)
NET POSITION - BEGINNING	3,261,198	19,961	3,261,198	-	19,961	3,261,198	3,261,198
NET POSITION - ENDING	\$ 3,101,040	\$ 22,060	\$ 3,101,040	\$ -	\$ -	\$ 22,060	\$ 3,123,100

See Accompanying Notes to the Financial Statements
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BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	GENERAL FUND	SPECIAL REVENUE FUND	BUILDING FUND (FSPK)	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
CASH AND CASH EQUIVALENTS	\$ 686,664	\$ (54,962)	\$ 155,815	\$ -	\$ 50,872	\$ 838,389
ACCOUNTS RECEIVABLE :						
TAXES	11,507	-	-	-	-	11,507
INTERFUND RECEIVABLES	500	-	-	-	-	500
GRANT RECEIVABLES	-	102,904	-	-	-	102,904
TOTAL ASSETS	\$ 698,671	\$ 47,942	\$ 155,815	\$ -	\$ 50,872	\$ 953,300
LIABILITIES AND FUND BALANCE						
LIABILITIES						
INTERFUND PAYABLES	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ 500
ACCRUED PAYROLL & RELATED EXPENSES	787	-	-	-	-	787
DEFERRED REVENUES	-	47,442	-	-	-	47,442
TOTAL LIABILITIES	787	47,942	-	-	-	48,729
FUND BALANCE						
RESTRICTED	-	-	155,815	-	-	155,815
RESTRICTED REPORTED IN NONMAJOR FUNDS						
CAPITAL PROJECTS	-	-	-	-	50,872	50,872
ASSIGNED						
BY FUTURE BUDGET APPROPRIATIONS	558,753	-	-	-	-	558,753
FOR DESIGNATED SICK LEAVE	16,794	-	-	-	-	16,794
UNASSIGNED	122,337	-	-	-	-	122,337
TOTAL FUND BALANCES	697,884	-	155,815	-	50,872	904,571
TOTAL LIABILITIES AND FUND BALANCES	\$ 698,671	\$ 47,942	\$ 155,815	\$ -	\$ 50,872	\$ 953,300

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 POSITION
June 30, 2013**

Total governmental fund balance **\$ 904,571**

Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets	\$ 3,537,724	
Accumulated depreciation	<u>(1,003,488)</u>	2,534,236

Receivables not available to pay current period liabilities are not current financial resources and therefore are not reported as assets in governmental funds. Receivables which were not collectible within sixty days at year end consisted of:

SFCC Receivables	1,581,588
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Liabilities (including bonds payable) not payable from current period revenues are not reported as liabilities in the funds. Liabilities due and payable in excess of sixty days at year end consisted of:

Accounts Payable	\$ 2,350	
Estimated Insurance Trust Assessment	40,211	
Bonds Payable	1,860,000	
Accrued Sick Leave	<u>16,794</u>	<u>(1,919,355)</u>

Total Net Position - Governmental Activities **\$ 3,101,040**

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, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>BUILDING FUND (FSPK)</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:						
AD VALOREM TAXES	\$ 327,567	\$ -	\$ -	16,294	\$ -	\$ 343,861
OTHER TAXES	42,474	-	-	-	-	42,474
STATE SOURCES	683,428	63,999	139,955	20,373	10,115	917,870
FEDERAL SOURCES	-	145,168	-	-	-	145,168
OTHER SOURCES	82,488	29,276	-	-	-	111,764
EARNINGS ON INVESTMENTS	<u>2,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76</u>	<u>2,167</u>
TOTAL REVENUES	1,138,048	238,443	139,955	36,667	10,191	1,563,304
EXPENDITURES:						
INSTRUCTIONAL	509,014	202,651	-	-	-	711,665
STAFF SUPPORT SERVICES	11,889	850	-	-	-	12,739
DISTRICT ADMINISTRATION	300,633	2,016	-	-	-	302,649
SCHOOL ADMINISTRATION	138,652	4,092	-	-	-	142,744
BUSINESS SUPPORT SERVICES	79,218	-	-	-	-	79,218
PLANT OPERATION & MAINTENANCE	146,583	-	-	-	2,707	149,290
STUDENT TRANSPORTATION	63,556	-	-	-	-	63,556
COMMUNITY SERVICE OPERATIONS	-	28,834	-	-	-	28,834
FACILITY ACQUISITION & CONSTRUCTION	-	-	-	-	-	-
DEBT PRINCIPAL	-	-	100,000	-	-	100,000
DEBT INTEREST	<u>-</u>	<u>-</u>	<u>71,512</u>	<u>-</u>	<u>-</u>	<u>71,512</u>
TOTAL EXPENDITURES	1,249,545	238,443	171,512	-	2,707	1,662,207
EXCESS (DEFICIT) REVENUE OVER EXPENDITURES	(111,497)	-	(31,557)	36,667	7,484	(98,903)
OTHER SOURCES & USES OF FUNDS						
TRANSFERS FROM (TO) OTHER FUNDS	<u>-</u>	<u>-</u>	<u>31,557</u>	<u>(31,557)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER SOURCES & USES OF FUNDS	-	-	31,557	(31,557)	-	-
NET CHANGE IN FUND BALANCES	(111,497)	-	-	5,110	7,484	(98,903)
FUND BALANCES-BEGINNING	<u>809,381</u>	<u>-</u>	<u>-</u>	<u>150,705</u>	<u>43,388</u>	<u>1,003,474</u>
FUND BALANCES-ENDING	<u>\$ 697,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,815</u>	<u>\$ 50,872</u>	<u>\$ 904,571</u>

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, 2013**

Net changes-governmental funds \$ (98,903)

Amounts recorded for governmental activities in the statement of activities are different because:

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	\$ (75,911)	
Capital Outlays	<u>28,474</u>	(47,437)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position 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 position.

Principal Paid		100,000
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In the government-wide statement of activities revenues are measured by the amounts earned and operating expenses are measured by the amounts incurred during the year. In the governmental funds however revenues are measured as they become available to satisfy obligations of the current period and expenditures measured by the amount of financial resources used. This year variations occurred in the following areas:

Accrued Liability for Insurance Trust Assessment	(40,211)	
Student Transportation (Lease Expense)	(2,350)	
On Behalf Debt Obligation Payments Recognized in Prior Years	(79,229)	
Compensated Absences	<u>8,541</u>	(113,249)

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 position differs from change in fund balances by the basis of the asset sold.

Basis of Asset Dispositions		<u>(569)</u>
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Changes in net position - governmental activities **\$ (160,158)**

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
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
AD VALOREM TAXES	\$ 282,223	\$ 292,700	\$ 327,567	\$ 34,867
OTHER TAXES	41,000	41,000	42,474	1,474
OTHER LOCAL SOURCES	1,200	35,217	82,488	47,271
STATE SOURCES	417,264	713,338	683,428	(29,910)
EARNINGS ON INVESTMENTS	1,000	700	2,091	1,391
TOTAL REVENUES	<u>742,687</u>	<u>1,082,955</u>	<u>1,138,048</u>	<u>55,093</u>
EXPENDITURES:				
INSTRUCTION	400,525	652,461	509,014	143,447
STAFF SUPPORT SERVICES	10,431	13,534	11,889	1,645
DISTRICT ADMINISTRATION	292,148	303,322	300,633	2,689
SCHOOL ADMINISTRATION	91,958	108,676	138,652	(29,976)
BUSINESS SUPPORT SERVICES	67,703	63,720	79,218	(15,498)
PLANT OPERATION & MAINTENANCE	370,569	434,034	146,583	287,451
STUDENT TRANSPORTATION	<u>43,793</u>	<u>65,962</u>	<u>63,556</u>	<u>2,406</u>
CENTRAL OFFICE	-	-	-	-
COMMUNITY SERVICE OPERATIONS	-	-	-	-
FACILITY ACQUISITION & CONSTRUCTION	-	-	-	-
NON INSTRUCTIONAL STUDENT SERVICES	-	-	-	-
TOTAL EXPENDITURES	<u>1,277,127</u>	<u>1,641,709</u>	<u>1,249,545</u>	<u>392,164</u>
EXCESS(DEFICIT)REVENUES OVER EXPENDITURES	(534,440)	(558,754)	(111,497)	447,257
NET CHANGE IN FUND BALANCE	(534,440)	(558,754)	(111,497)	447,257
FUND BALANCES-BEGINNING	<u>809,381</u>	<u>809,381</u>	<u>809,381</u>	<u>-</u>
FUND BALANCES-ENDING	<u>\$ 274,941</u>	<u>\$ 250,627</u>	<u>\$ 697,884</u>	<u>\$ 447,257</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
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
OTHER LOCAL SOURCES	\$ 30,000	\$ 30,000	\$ 29,276	\$ (724)
STATE SOURCES	105,808	91,508	63,999	(27,509)
FEDERAL SOURCES	<u>130,511</u>	<u>142,909</u>	<u>145,168</u>	<u>2,259</u>
TOTAL REVENUES	266,319	264,417	238,443	(25,974)
EXPENDITURES:				
INSTRUCTIONAL	237,218	217,204	202,651	14,553
STUDENT SUPPORT SERVICES	-	-	-	-
STAFF SUPPORT SERVICES	914	470	850	(380)
DISTRICT ADMINISTRATION	1,897	8,224	2,016	6,208
SCHOOL ADMINISTRATION	2,058	9,060	4,092	4,968
BUSINESS SUPPORT SERVICES	-	-	-	-
PLANT OPERATION & MAINTENANCE	200	325	-	325
STUDENT TRANSPORTATION	300	300	-	300
CENTRAL OFFICE	-	-	-	-
COMMUNITY SERVICE OPERATIONS	<u>29,720</u>	<u>28,834</u>	<u>28,834</u>	<u>-</u>
TOTAL EXPENDITURES	272,307	264,417	238,443	25,974
EXCESS(DEFICIT)REVENUES OVER EXPENDITURES	(5,988)	-	-	-
OTHER SOURCES & USES OF FUNDS				
TRANSFERS FROM (TO) OTHER FUNDS	<u>1,184</u>	<u>-</u>	<u>-</u>	<u>(1,184)</u>
TOTAL OTHER SOURCES & USES OF FUNDS	1,184	-	-	(1,184)
NET CHANGE IN FUND BALANCE	(4,804)	-	-	(1,184)
FUND BALANCES-BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-ENDING	<u>\$ (4,804)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,184)</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
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE <u>(NEGATIVE)</u>
REVENUES:				
STATE SOURCES	-	-	<u>139,955</u>	<u>139,955</u>
TOTAL REVENUES	-	-	<u>139,955</u>	<u>139,955</u>
EXPENDITURES:				
DEBT SERVICE				
PRINCIPAL	-	-	100,000	(100,000)
INTEREST	-	-	<u>71,512</u>	<u>(71,512)</u>
TOTAL EXPENDITURES	-	-	<u>171,512</u>	<u>(171,512)</u>
OTHER SOURCES & USES OF FUNDS				
TRANSFERS FROM (TO) OTHER FUNDS	-	-	<u>31,557</u>	<u>31,557</u>
TOTAL OTHER SOURCES & USES OF FUNDS	-	-	<u>31,557</u>	<u>31,557</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES-BEGINNING	-	-	-	-
FUND BALANCES-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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
(FSPK) BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ORIGINAL</u> BUDGET	<u>FINAL</u> BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET <u>POSITIVE</u> (NEGATIVE)
REVENUES:				
AD VALOREM TAXES	14,471	16,731	16,294	(437)
STATE SOURCES	29,735	-	20,373	20,373
TOTAL REVENUES	44,206	16,731	36,667	19,936
EXPENDITURES:				
DEBT SERVICE	<u>21,591</u>	<u>22,057</u>	-	<u>22,057</u>
TOTAL EXPENDITURES	21,591	22,057	-	22,057
EXCESS(DEFICIT)REVENUES OVER EXPENDITURES	22,615	(5,326)	36,667	41,993
OTHER SOURCES & USES OF FUNDS				
TRANSFERS FROM (TO) OTHER FUNDS	-	-	(31,557)	(31,557)
TOTAL OTHER SOURCES & USES OF FUNDS	-	-	(31,557)	(31,557)
 NET CHANGE IN FUND BALANCE	 <u>22,615</u>	 <u>(5,326)</u>	 <u>5,110</u>	 <u>10,436</u>
FUND BALANCES-BEGINNING	<u>\$ 150,705</u>	<u>\$ 150,705</u>	<u>\$ 150,705</u>	<u>\$ -</u>
FUND BALANCES-ENDING	<u>\$ 173,320</u>	<u>\$ 145,379</u>	<u>\$ 155,815</u>	<u>\$ 10,436</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, 2013**

	<u>(SEEK) CAPITAL OUTLAY FUNDS</u>	<u>CONSTRUCTION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 22,873	\$ 27,999	\$ 50,872
TOTAL ASSETS	<u>\$ 22,873</u>	<u>\$ 27,999</u>	<u>\$ 50,872</u>
FUND BALANCE			
RESTRICTED FOR:			
CAPITAL PROJECTS	\$ 22,873	\$ 27,999	\$ 50,872
TOTAL FUND BALANCES	<u>22,873</u>	<u>27,999</u>	<u>50,872</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 22,873</u>	<u>\$ 27,999</u>	<u>\$ 50,872</u>

See Accompanying Notes to the Financial Statements

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
CONSOLIDATING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>(SEEK) CAPITAL OUTLAY FUNDS</u>	<u>CONSTRUCTION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES:			
STATE SOURCES	\$ 10,115	\$ -	\$ 10,115
EARNINGS ON INVESTMENTS	<u>-</u>	<u>76</u>	<u>76</u>
TOTAL REVENUES	\$ 10,115	\$ 76	\$ 10,191
EXPENDITURES:			
PLANT OPERATION & MAINTENANCE	-	2,707	2,707
DEBT SERVICE:			
PRINCIPAL	-	-	-
INTEREST	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>2,707</u>	<u>2,707</u>
NET CHANGE IN FUND BALANCES	<u>10,115</u>	<u>(2,631)</u>	<u>7,484</u>
FUND BALANCES-BEGINNING	<u>12,758</u>	<u>30,630</u>	<u>43,388</u>
FUND BALANCES-ENDING	<u>\$ 22,873</u>	<u>\$ 27,999</u>	<u>\$ 50,872</u>

See Accompanying Notes to the Financial Statements

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013**

	<u>FOOD SERVICE FUND</u>	<u>TOTAL</u>
ASSETS		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 8,071	\$ 8,071
GRANTS RECEIVABLE	8,207	8,207
INVENTORIES FOR CONSUMPTION	<u>5,347</u>	<u>5,347</u>
TOTAL CURRENT ASSETS	21,625	21,625
CAPITAL ASSETS:		
FURNITURE AND EQUIPMENT	44,015	44,015
LESS: ACCUMULATED DEPRECIATION	<u>(43,580)</u>	<u>(43,580)</u>
TOTAL CAPITAL ASSETS	435	435
TOTAL ASSETS	<u>\$ 22,060</u>	<u>\$ 22,060</u>
LIABILITIES		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	-	-
NET POSITION:		
NET INVESTMENT IN CAPITAL ASSETS	435	435
RESTRICTED FOR FEEDING PROGRAMS	<u>21,625</u>	<u>21,625</u>
TOTAL NET POSITION	<u>22,060</u>	<u>22,060</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 22,060</u>	<u>\$ 22,060</u>

See Accompanying Notes to the Financial Statements

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FOOD SERVICE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:		
LUNCHROOM SALES	<u>\$ 10,128</u>	<u>\$ 10,128</u>
OTHER OPERATING REVENUES	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	10,128	10,128
OPERATING EXPENSES:		
SALARIES AND BENEFITS	48,793	48,793
CONTRACT SERVICES	1,379	1,379
MATERIALS AND SUPPLIES	42,393	42,393
DEPRECIATION	<u>114</u>	<u>114</u>
TOTAL OPERATING EXPENSES	<u>92,679</u>	<u>92,679</u>
OPERATING INCOME (LOSS)	(82,551)	(82,551)
NONOPERATING REVENUES (EXPENSES):		
FEDERAL GRANTS	77,962	77,962
STATE AID	<u>6,688</u>	<u>6,688</u>
TOTAL NONOPERATING REVENUE	<u>84,650</u>	<u>84,650</u>
CHANGE IN NET POSITION	2,099	2,099
TOTAL NET POSITION-BEGINNING	<u>19,961</u>	<u>19,961</u>
TOTAL NET POSITION-ENDING	<u>\$ 22,060</u>	<u>\$ 22,060</u>

See Accompanying Notes to the Financial Statements

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FOOD SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
RECEIPTS FROM CUSTOMERS	\$ 10,128
PAYMENTS TO SUPPLIERS	(46,773)
PAYMENTS TO AND BENEFITS FOR EMPLOYEES	<u>(48,793)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(85,438)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
INTERGOVERNMENTAL REVENUE RECEIVED	<u>81,011</u>
NET CASH PROVIDED (USED) BY CAPITAL ACTIVITIES	<u>81,011</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,427)
CASH BALANCE BEGINNING OF YEAR	<u>12,498</u>
CASH BALANCE END OF YEAR	<u>\$ 8,071</u>
RECONCILIATION OF CHANGE IN OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:	
OPERATING INCOME	(82,551)
Reconciling Items :	
DEPRECIATION	114
CHANGES IN ACCOUNTS PAYABLE	(2,691)
CHANGES IN INVENTORY	<u>(310)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (85,438)</u>

See Accompanying Notes to the Financial Statements

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - SCHOOL ACTIVITY FUNDS
June 30, 2013

	<u>SCHOOL ACTIVITY FUNDS</u>
ASSETS	
CASH	\$ <u>19,814</u>
TOTAL ASSETS	<u>\$ 19,814</u>
LIABILITIES AND FIDUCIARY NET POSITION	
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	\$ <u>2,695</u>
TOTAL LIABILITIES	<u>2,695</u>
FIDUCIARY NET POSITION:	
UNRESERVED	<u>17,119</u>
TOTAL LIABILITIES AND FIDUCIARY NET POSITION	<u>\$ 19,814</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, 2013**

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 position 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 a reconciliation with brief explanations to better identify the relationship between the district-wide financial statements and the financial statements for governmental funds.

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation- Continued

The 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 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 are 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. Governmental 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, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

- B) The Special Revenue 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) The Debt Service Fund began during the year ended June 30, 2013 when the district established this fund. All debt payments are transferred from the Capital Outlay, Building and General Funds to the debt service fund and combined with state on behalf payment activity prior to payment of the current year obligations.

II. 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.

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

III. 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*.

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.

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.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

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 position as an expense with a like amount reported as donated commodities revenue.

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 resources 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 city. 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, 2013, 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 position 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 position 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.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013**

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:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - 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 position, 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).

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Basis of Accounting- Continued

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.

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 position and balance sheet classifications. All cash and investments of the proprietary fund types are pooled with the District's pooled cash and investments.

Inventories

Governmental supply costs on the district wide financial statements are expensed when purchased. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased.

In the school service fund significant inventories of food inventory are stated at cost and expensed when used. 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 District, those revenues are primarily charges for meals provided by the school.

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.

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

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 2012, 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.

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 other than those designated for sick leave.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net Position represents the difference between assets and liabilities. The sub designation *Net investment in capital assets* 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. Remaining resources 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;
 - 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.

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

The District maintains cash and money market accounts in accordance with state statutes. The carrying amount of the District's cash deposits inclusive of fiduciary funds was \$866,274 at June 30, 2013. The bank balances at June 30, 2013 were \$917,590 which were classified as to security as discussed below.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS – Continued

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	666,590
Uninsured and Uncollateralized	<u>1,000</u>
Total	<u>\$917,590</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.

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 taxes and grants receivable 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 balance and the statement of net position 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.

NOTE D - LONG-TERM OBLIGATIONS

Maturities on these Obligations are as follows:

	2014	\$105,000
	2015	105,000
	2016	110,000
	2017	110,000
	2018	110,000
	Thereafter	<u>1,320,000</u>
Total Bonded Debt		<u>\$ 1,860,000</u>

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013**

NOTE D - LONG-TERM OBLIGATIONS - Continued

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2013 is follows:

Governmental Activities	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amount Due in One Year
Bonded debt and lease obligations	\$ 1,960,000	\$ -	\$ 100,000	\$ 1,860,000	\$ 105,000
Accrued sick leave	25,355	-	8,561	16,794	-
	<u>\$ 1,985,355</u>	<u>\$ -</u>	<u>\$ 108,561</u>	<u>\$ 1,876,794</u>	<u>\$ 105,000</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 \$71,512 and is listed as a separate line item on the statement of activities.

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 41 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 position 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, 2013 for debt service (principal and interest) as noted above are included 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.

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013**

NOTE F – CONTINGENCIES AND 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>
Debt Service	Building Fund	Debt Service	Debt Payment	\$ 31,557

NOTE I - CAPITAL ASSETS

Depreciation was allocated to governmental functions as follows:

INSTRUCTIONAL	\$ 72,690
STAFF SUPPORT SERVICES	317
DISTRICT ADMINISTRATION	1,013
BUSINESS ADMINISTRATION	116
PLANT OPERATION & MAINTENANCE	1,475
STUDENT TRANSPORTATION	<u>300</u>
TOTAL	<u>\$ 75,911</u>

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

NOTE I - CAPITAL ASSETS – Continued

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	June 30, 2012	ADDITIONS	RETIREMENTS	June 30, 2013
GOVERNMENTAL ACTIVITIES:				
LAND AND IMPROVEMENTS	\$ 108,752	\$ -	\$ -	\$ 108,752
BUILDINGS & BUILDING IMPROVEMENTS	3,257,667	-	-	3,257,667
TECHNOLOGY EQUIPMENT	59,070	16,000	1,069	74,001
VEHICLES	62,979	-	-	62,979
GENERAL EQUIPMENT	21,851	12,474	-	34,325
TOTALS AT HISTORICAL COST:	<u>3,510,319</u>	<u>28,474</u>	<u>1,069</u>	<u>3,537,724</u>
LESS ACCUMULATED DEPRECIATION FOR:				
LAND AND IMPROVEMENTS	78,675	2,488	-	81,163
BUILDINGS & BUILDING IMPROVEMENTS	737,614	65,743	-	803,357
TECHNOLOGY EQUIPMENT	40,198	5,419	500	45,117
VEHICLES	60,554	300	-	60,854
GENERAL EQUIPMENT	11,036	1,961	-	12,997
TOTAL ACCUMULATED DEPRECIATION:	<u>928,077</u>	<u>75,911</u>	<u>500</u>	<u>1,003,488</u>
GOVERNMENTAL ACTIVITIES CAPITAL NET	<u>\$ 2,582,242</u>			<u>\$ 2,534,236</u>
PROPRIETARY ACTIVITIES:				
TECHNOLOGY EQUIPMENT	\$ 534	\$ 534	\$ -	\$ 1,068
GENERAL EQUIPMENT	42,947	-	-	42,947
TOTALS AT HISTORICAL COST:	<u>43,481</u>	<u>534</u>	<u>-</u>	<u>44,015</u>
LESS ACCUMULATED DEPRECIATION FOR:				
TECHNOLOGY EQUIPMENT	19	614	-	633
GENERAL EQUIPMENT	42,947	-	-	42,947
TOTAL ACCUMULATED DEPRECIATION:	<u>42,966</u>	<u>(614)</u>	<u>-</u>	<u>43,580</u>
PROPRIETARY ACTIVITIES CAPITAL NET	<u>\$ 515</u>			<u>\$ 435</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. The District's contribution rate for nonhazardous employees was 18.96 percent. Employees whose Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit 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. Nonhazardous employees who

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.employees.

NOTE J - RETIREMENT PLANS – Continued

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.

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 14.105 percent of salaries for members. 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.

The District contribution requirement for both KTRS and CERS for the year ended June 30, 2013 represent less than 1% of total contributions to the programs.

The District's total payroll for the year was \$865,254. The payroll for employees covered under KTRS was \$609,699. The payroll for employees covered under CERS was \$204,744. 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:

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013**

	District Funded CERS	District Funded KTRS	State Funded KTRS
2013	\$ 40,355	\$ 3,027	\$ 74,444
2012	\$ 41,597	\$ 7,492	\$ 79,693
2011	\$ 43,145	\$ 2,972	\$ 72,460

NOTE J - RETIREMENT PLANS – Continued

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.

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. To be eligible for medical benefits, the member must have retired either for service or disability. 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.

NOTE K – 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 at June 30 is as follows

<u>Governmental Activities</u>	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>	<u>Due in One Year</u>
Lease Obligations	\$ 13,608	\$ 28,618	\$ 33,154	\$ 9,072	\$ 4,536

Five year maturities on lease obligations are as follows:

<u>Year ending June 30,</u>	
2014	4,536
2015	<u>4,536</u>
Total	<u>\$ 9,072</u>

Lease expenditures, without regard to per copy charges, were \$4,536 for the year ended June 30, 2013.

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

Additionally the District leased buses from Taylor Motors Inc. on a one year lease in the amount of \$28,618.

Subsequent to year end the District entered another one year lease obligation with Taylor Motors Inc. ending June 30, 2014. Payments are in the amount of \$ 2,500 per month (\$30,000 annually) for two buses. Additionally the contract calls for a payment of \$1.10 per mile for miles exceeding 21,000 per year.

NOTE L- SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through October 25, 2013 the date on which the financial statements were available to be issued.

NOTE M - STEWARDSHIP

The following funds incurred expenditures in excess of appropriations in the following areas for the year ended June 30, 2013:

General Fund:	
School Administration	\$ 29,976
Business Support Services	\$ 15,498
Special Revenue Funds:	
Staff Support Services	\$ 380
Debt Service Funds:	
Debt Service	\$171,512

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

NOTE N - 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, 2013, the District had \$206,687 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, 2013; \$16,794 for sick leave.

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

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS- Continued
YEAR ENDED JUNE 30, 2013

expenditures in excess of anticipated receipts at June 30, 2013 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 O - 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, 2013, was \$215,597. These payments were recorded as follows:

General Fund	\$ 243,602
Debt Service	139,955
Food Service Fund	<u>6,688</u>
Total	<u>\$ 390,245</u>

NOTE P – CHANGE IN ACCOUNTING POLICY

Effective for the fiscal year ending June 30, 2013, the Board adopted GASB statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, which codified all applicable GASB, Financial Accounting Standards Board ("FASB"), and Accounting Principles Board opinions dated according to the title of the statement. Additionally for the fiscal year ending June 30, 2013, the Board has implemented GASB statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and adopted GASB statement 65 *Items Previously Recognized as Assets and Liabilities*. There were no significant revisions to the financial statements as a result of this implementation.

BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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>SFCC</u>	<u>Local</u>	<u>SFCC</u>	<u>Local</u>	<u>Total</u>
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
Totals	\$ 1,860,000.00		\$ 599,582.52	\$ 2,459,582.52	\$ 2,099,327.48	\$ 360,255.04	\$ 1,581,588.00	\$ 278,412.00	\$ 1,860,000.00

**BOARD OF EDUCATION OF THE WEST POINT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES
IN AGENCY FUND NET POSITION - SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>SCHOOL ACTIVITY FUNDS</u>
ADDITIONS TO:	
LOCAL SOURCES	\$ 29,793
DEDUCTIONS FROM:	
STUDENT BODY ACTIVITIES	<u>37,314</u>
INCREASE (DECREASE) IN NET POSITION	(7,521)
NET POSITION:	
BEGINNING OF YEAR	<u>24,640</u>
NET POSITION:	
END OF YEAR	<u>\$ 17,119</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, 2013**

Section I – Current Year Statement of Findings

2013-1

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 should have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Cause:

Management has determined that it is the most cost effective to engage the auditor to draft the financial statements and related notes rather than expend funds which could be better used in other areas to hire additional office personnel or to contract with another firm to reformat the MUNIS reports in conformity with generally accepted accounting principles.

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 PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

Section II – Prior Year Statement of Findings

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 should have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

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.



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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise Board of Education of West Point Independent School District's basic financial statements and have issued our report thereon dated October 25, 2013. We also conducted our audit in accordance with audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Audit Contract and Requirements* (inclusive of all appendices).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Board of Education of West Point Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Board of Education of West Point Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Board of Education of West Point Independent School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness.

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. No significant deficiencies were noted that were not also material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Board of Education of West Point Independent School District's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-1. We have also issued a separate management letter dated October 25, 2013 that addresses matters not required to be communicated to those charged with governance and which are not significant deficiencies in internal control.

Board of Education of West Point Independent School District's Schedule of Findings and Responses

Board of Education of West Point Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Board of Education of West Point Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephens and Lawson CPAs

Louisville, Kentucky
October 25, 2013