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WEBSTER COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2013**

**WEBSTER COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Webster County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Webster County 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, each major fund, and the aggregate remaining fund information of the Webster County School District, as of June 30, 2013, and the respective changes in financial position 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 and budgetary comparison information on pages 5-13 and 42-45 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 Webster County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2014, on our consideration of the Webster County 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 Webster County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
August 6, 2014

Watkins, Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The following discussion and analysis of Webster County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$748,808, including a prior period adjustment of \$37,378, which represents a 5% increase from fiscal year 2012. Total net position for 2012 increased \$7,057,489, including a prior period adjustment of (\$30,600), which represents an 82% increase from fiscal year 2011.
- General revenues amounted to \$11,716,873 and \$11,242,495, or 75% and 66% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,917,168, or 25% of total revenues for 2013, and \$5,860,842, or 34 % of total revenues for 2012.
- The District had \$15,866,223 and \$18,530,839 in expenses for fiscal years 2013 and 2012; only \$3,917,168 for 2013 and \$5,860,842 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,716,873 for 2013 and \$11,242,495 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,317,565 in revenues and \$11,071,549 in expenditures for 2013, and \$10,241,830 in revenues and \$10,575,627 in expenditures in 2012. The General Fund's fund balance decreased by \$933,754 from 2012 to 2013, and decreased by \$392,488 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$5,868,515 for 2013, including a prior period adjustment of \$37,378, and increased by \$1,554,792 for 2012. The increase for 2013 was due to a large amount of construction on East Webster High School and various QSCB projects.
- Long-term debt decreased by \$373,424 for 2013 and decreased by \$429,872 for 2012. The decrease for 2013 was due primarily to the payment of principal of various long term debt obligations. The liability for compensated absences increased by \$1,898 for 2013 and decreased by \$1,512 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

The Statement of Activities presents information showing how the District's net 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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$16,433,331 as of June 30, 2013.

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**Table 1
Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 5,238,121	\$ 9,739,313	-46.22 %
Restricted assets	941,361	1,188,255	-20.78 %
Capital assets, net	14,851,445	8,982,930	65.33 %
Total assets	21,030,927	19,910,498	5.63 %
Current liabilities	1,144,349	399,304	186.59 %
Long-term debt outstanding	3,453,247	3,826,671	-9.76 %
Total liabilities	4,597,596	4,225,975	8.79 %
Net position:			
Net investment in capital assets	11,569,245	6,404,247	80.65 %
Restricted	4,175,951	7,943,120	-47.43 %
Unrestricted	688,135	1,337,156	-48.54 %
Total net position	\$ 16,433,331	\$ 15,684,523	4.77 %

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

- Increase in net capital assets in the amount of \$5,868,515.
- The principal retirement of \$411,322 of long-term debt.

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$15,634,041, and \$17,103,337, respectively. The total cost of all programs and services was \$15,866,223 for 2013 and \$18,530,839 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 886,773	\$ 725,900	22.16 %
Operating grants and contributions	3,030,395	5,134,942	(40.98) %
General revenues:			
Property taxes	2,219,046	2,157,695	2.84 %
Grants and contributions not restricted	9,078,891	8,490,340	6.93 %
Investment earnings	15,341	22,687	(32.38) %
Sixteenth section sources	277,502	408,136	(32.01) %
Other	126,093	163,637	(22.94) %
Total revenues	15,634,041	17,103,337	(8.59) %
Expenses:			
Instruction	9,276,083	9,111,477	1.81 %
Support services	5,474,386	8,266,768	(33.78) %
Non-instructional	942,752	907,262	3.91 %
Sixteenth section	32,289	75,053	(56.98) %
Interest on long-term liabilities	140,713	170,279	(17.36) %
Total expenses	15,866,223	18,530,839	(14.38) %
Extraordinary Item	943,612	8,515,591	
Increase (Decrease) in net position	711,430	7,088,089	(89.96) %
Net Position, July 1, as previously reported	15,684,523	8,627,034	81.81 %
Prior Period Adjustment	37,378	(30,600)	222.15 %
Net Position, July 1, as restated	15,721,901	8,596,434	82.89 %
Net Position, June 30	\$ 16,433,331	\$ 15,684,523	4.77 %

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 9,276,083	\$ 9,111,477	1.81 %
Support services	5,474,386	8,266,768	(33.78) %
Non-instructional	942,752	907,262	3.91 %
Sixteenth section	32,289	75,053	(56.98) %
Interest on long-term liabilities	140,713	170,279	(17.36) %
Total expenses	\$ 15,866,223	\$ 18,530,839	(14.38) %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (7,480,688)	\$ (7,102,904)	5.32 %
Support services	(4,425,067)	(5,410,428)	(18.21) %
Non-instructional	19,915	29,532	(32.56) %
Sixteenth section	(9,352)	(31,918)	(70.70) %
Interest on long-term liabilities	(53,863)	(154,279)	(65.09) %
Total net (expense) revenue	\$ (11,949,055)	\$ (12,669,997)	(5.69) %

- Net cost of governmental activities (\$11,949,055 for 2013 and \$12,669,997 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$2,219,046 for 2013 and \$2,157,695 for 2012) and state and federal revenues (\$9,078,891 for 2013 and \$8,490,340 for 2012). In addition, there was \$277,502 and \$408,136 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$15,341 for 2013 and \$22,687 for 2012.

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,899,095, a decrease of \$5,705,704, which includes a decrease in inventory of \$2,503. \$494,888 or 10% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,404,207 or 90% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$933,754. The fund balance of Other Governmental Funds showed an increase in the amount of \$101,065, which includes a decrease in reserve for inventory of (\$2,503). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Interest Fd \$	32,535
EWHS Disaster Fund \$	(4,480,365)
QSCB Bond Fund	(425,005)

BUDGETARY HIGHLIGHTS

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

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

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$20,998,478, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$6,383,096 from 2012. Total accumulated depreciation as of June 30, 2013, was \$6,147,033, and total depreciation expense for the year was \$456,878, resulting in total net capital assets of \$14,851,445.

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 214,048	\$ 214,048	0.00 %
Construction in Progress	6,782,228	854,259	693.93 %
Buildings	5,558,059	5,725,187	(2.92) %
Building improvements	685,092	443,129	54.60 %
Improvements other than buildings	818,661	825,156	(0.79) %
Mobile equipment	571,625	652,239	(12.36) %
Furniture and equipment	221,732	268,912	(17.54) %
Total	\$ 14,851,445	\$ 8,982,930	65.33 %

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

Debt Administration. At June 30, 2013, the District had \$3,453,247 in outstanding long-term debt, of which \$352,500 is due within one year. The liability for compensated absences increased \$1,898 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	1,591,000	1,800,000	(11.61) %
Three mill notes payable	191,200	250,500	(23.67) %
Shortfall notes payable	43,000	150,022	(71.34) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	128,047	126,149	1.50 %
Total	\$ 3,453,247	\$ 3,826,671	(9.76) %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT ISSUES

The Webster County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal financial management to meet the challenges of the future.

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

Enrollment for the 2012-2013 year remained stable during the year. Enrollment for the 2011-2012 school year was 1,838 during the current year the enrollment decreased by one student to 1,837 students.

The District continues dealing with the impact of a tornado that affected the area on April 27, 2011. East Webster High School sustained significant damage due to this tornado. The district has received funding through FEMA and insurance proceeds to assist in paying for cleanup of the destruction and construction of a new high school. The district was renting the property formerly known as Wood College as a temporary facility until the new high school was constructed. During the 2013-2014 the district did move students of East Webster High School into the new campus at Cumberland.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Webster County School District, 95 Clark Ave, Eupora, MS 39744

FINANCIAL STATEMENTS

Webster County School District
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,682,297
Due from other governments	2,482,089
Other receivables, net	9,723
Inventories	47,211
Deferred debt issuance costs	16,801
Restricted assets	941,361
Capital assets, non-depreciable:	
Land	214,048
Construction in progress	6,782,228
Capital assets, net of accumulated depreciation:	
Buildings	5,558,059
Building improvements	685,092
Improvements other than buildings	818,661
Mobile equipment	571,625
Furniture and equipment	221,732
Total Assets	<u>21,030,927</u>
Liabilities	
Accounts payable and accrued liabilities	1,083,977
Interest payable on long-term liabilities	60,372
Long-term liabilities, due within one year:	
Capital related liabilities	309,500
Non-capital related liabilities	43,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,972,700
Non-capital related liabilities	128,047
Total Liabilities	<u>4,597,596</u>
Net Position	
Net investment in capital assets	11,569,245
Restricted for:	
Expendable:	
School-based activities	1,687,322
Debt service	528,153
Capital improvements	1,653,916
Forestry improvements	256,750
Unemployment benefits	38,446
Non-expendable:	
Sixteenth section	11,364
Unrestricted	688,135
Total Net Position	<u>\$ 16,433,331</u>

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

Webster County School District
Statement of Activities
For The Fiscal Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 9,276,083	\$ 571,379	\$ 1,224,016	\$	\$ (7,480,688)
Support services	5,474,386	7,553	1,041,766		(4,425,067)
Non-instructional	942,752	284,904	677,763		19,915
Sixteenth section	32,289	22,937			(9,352)
Interest on long-term liabilities	140,713		86,850	0	(53,863)
Total Governmental Activities	\$ 15,866,223	\$ 886,773	\$ 3,030,395	\$ 0	\$ (11,949,055)

General Revenues:

Taxes:

General purpose levies	2,151,948
Debt purpose levies	67,098

Unrestricted grants and contributions:

State	8,925,801
Federal	153,090
Unrestricted investment earnings	15,341
Sixteenth section sources	277,502
Other	126,093

Total General Revenues 11,716,873

Extraordinary items 943,612

Total General Revenues, Special Items,
Extraordinary Items and Transfers 12,660,485

Change in Net Position 711,430

Net Position - Beginning, as previously reported * 15,684,523
Prior Period Adjustments 37,378

Net Position - Beginning 15,721,901

Net Position - Ending \$ 16,433,331

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

Webster County School District
 Governmental Funds
 Balance Sheet
 June 30, 2013

Exhibit C

	Major Funds					
	General Fund	16th Section Interest Fund	EWHS Disaster Fund	QSCB Bond Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 552,948	\$ 1,594,858	\$ -	\$ 648,590	\$ 545,855	\$ 3,342,251
Cash with fiscal agents	-	-	-	-	158,350	158,350
Investments	-	-	-	-	122,750	122,750
Due from other governments	148,775	-	1,868,008	-	285,697	2,302,480
Accrued interest receivable	-	-	-	-	307	307
Other receivables, net	90	620	-	-	-	710
Due from other funds	282,065	-	9,013	2,460	15,566	309,104
Inventories	-	-	-	-	47,211	47,211
Total assets	\$ 983,878	\$ 1,595,478	\$ 1,877,021	\$ 651,050	\$ 1,175,736	\$ 6,283,163
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 288,739	\$ 20,352	\$ 611,454	\$ 104,238	\$ 59,194	\$ 1,083,977
Due to other funds	15,566	-	158,463	-	126,062	300,091
Total Liabilities	304,305	20,352	769,917	104,238	185,256	1,384,068
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	47,211	47,211
Permanent fund principal	-	-	-	-	10,299	10,299
Endowments	-	-	-	-	1,065	1,065
Restricted:						
Debt service	-	-	-	-	571,724	571,724
Capital projects	-	-	1,107,104	546,812	-	1,653,916
Forestry improvement purposes	-	-	-	-	256,750	256,750
Grant activities	-	-	-	-	64,985	64,985
Unemployment benefits	-	-	-	-	38,446	38,446
16th section interest	-	1,575,126	-	-	-	1,575,126
Assigned:						
Activity funds	184,685	-	-	-	-	184,685
Unassigned						
	494,888	-	-	-	-	494,888
Total Fund Balances	679,573	1,575,126	1,107,104	546,812	990,480	4,899,095
Total Liabilities and Fund Balances	\$ 983,878	\$ 1,595,478	\$ 1,877,021	\$ 651,050	\$ 1,175,736	\$ 6,283,163

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

**Webster County School District
Governmental Funds**

Exhibit C-1

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013**

Total fund balances for governmental funds \$ 4,899,095

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 214,048	
Construction in progress	6,782,228	
Buildings	9,552,051	
Building improvements	761,304	
Improvements other than buildings	972,291	
Mobile equipment	2,006,421	
Furniture and equipment	710,135	
Deffered charges - bond issuance cost	16,801	
Accumulated depreciation	<u>(6,147,033)</u>	14,868,246

2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

179,609

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Limited obligation bonds	\$ (1,591,000)	
Three mill notes payable	(191,200)	
Shortfall notes payable	(43,000)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(128,047)	
Accrued interest payable	<u>(60,372)</u>	(3,513,619)

Net position of governmental activities \$ 16,433,331

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

Webster County School District
Governmental Funds

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2013

	Major Funds					Total Governmental Funds
	General Fund	16th Section Interest Fund	EWHS Disaster Fund	QSCB Bond Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 2,705,373	\$ -	\$ -	\$ 1,358	\$ 313,172	\$ 3,019,903
State sources	7,444,032	-	500,000	-	1,534,878	9,478,910
Federal sources	168,160	-	365,195	-	2,111,396	2,644,751
Sixteenth section sources	-	279,959	-	-	23,355	303,314
Total Revenues	10,317,565	279,959	865,195	1,358	3,982,801	15,446,878
Expenditures:						
Instruction	7,337,997	-	12,015	-	1,741,082	9,091,094
Support services	3,699,521	-	468,096	68,135	931,301	5,167,053
Noninstructional services	6,787	-	-	-	887,163	893,950
Sixteenth section	-	10,424	-	-	21,865	32,289
Facilities acquisition and construction	27,244	-	5,814,912	358,228	-	6,200,384
Debt service:						
Principal	-	-	-	-	411,322	411,322
Interest	-	-	-	-	152,752	152,752
Other	-	-	-	-	20,745	20,745
Total Expenditures	11,071,549	10,424	6,295,023	426,363	4,166,230	21,969,589
Excess (Deficiency) of Revenues over (under) Expenditures	(753,984)	269,535	(5,429,828)	(425,005)	(183,429)	(6,522,711)
Other Financing Sources (Uses):						
Insurance recovery	7,553	-	-	-	-	7,553
Refunding bonds issued	-	-	-	-	1,591,000	1,591,000
Payment to escrow agent	-	-	-	-	(1,555,000)	(1,555,000)
Payment to refunded bond escrow agent	-	-	-	-	(106,000)	(106,000)
Operating transfers in	167,970	-	5,851	-	288,467	462,288
Other financing sources	-	-	-	-	106,000	106,000
Operating transfers out	(187,818)	(237,000)	-	-	(37,470)	(462,288)
Other financing uses	(167,475)	-	-	-	-	(167,475)
Total Other Financing Sources (Uses)	(179,770)	(237,000)	5,851	0	286,997	(123,922)
Extraordinary items,			943,612			943,612
Net Change in Fund Balances	(933,754)	32,535	(4,480,365)	(425,005)	103,568	(5,703,021)
Fund Balances:						
July 1, 2012,	1,613,327	1,542,591	5,587,469	971,817	889,415	10,604,619
Increase (Decrease) in reserve for inventory	-	-	-	-	(2,503)	(2,503)
June 30, 2013	\$ 679,573	\$ 1,575,126	\$ 1,107,104	\$ 546,812	990,480	\$ 4,899,095

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

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (5,703,021)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 6,288,110	
Depreciation expense	<u>(456,878)</u>	5,831,232

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (95)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Refunding bonds issued	(1,591,000)	
Issuance cost on refunding bonds	19,245	
Payments of debt principal	411,322	
Payments to refunded bond escrow agent	1,555,000	
Amortization of bond issue costs	(2,444)	
Accrued interest payable	15,983	
	<u> </u>	408,106

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in due from other governments	179,609	
Change in compensated absences	(1,898)	
Change in inventory reserve	(2,503)	
	<u> </u>	175,208

Change in net position of governmental activities \$ 711,430

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

**Webster County School District
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2013**

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 571	\$ 941,708
Other receivables	-	159
Total Assets	<u>571</u>	<u>\$ 941,867</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 821,812
Due to other funds	-	9,013
Due to student clubs	-	111,042
Total Liabilities	<u>\$ -</u>	<u>\$ 941,867</u>
Net Position		
Reserved for endowments	<u>571</u>	
Total Net Position	<u>\$ 571</u>	

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

**Webster County School District
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Year Ended June 30, 2013**

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Contributions and donations from private sources	\$ 500
Total Additions	<u>500</u>
Deductions	
Scholarships awarded	<u>500</u>
Total Deductions	<u>500</u>
Change in Net Position	<u>0</u>
Net Position	
July 1, 2012,	571
June 30, 2013	<u>\$ 571</u>

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

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

The school district reports the following major governmental funds:

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

16th Section Interest Fund - This is the school district's fund that accounts for expendable funds derived from sixteenth section or lieu funds.

EWHS Disaster Fund - This is the school district's fund that accounts for disaster grant and insurance proceeds received for tornado damage to East Webster High School.

QSCB Bonds Fund - This is the school district's fund that accounts for the proceeds of QSCB bonds to be used for construction of and renovations to school district buildings.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transaction.

Accounts Payable Clearing Fund - The fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

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

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

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

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

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

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

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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

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

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

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,342,251 and \$942,279, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$4,477,007 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$158,350.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	10-15	\$ 122,750
Total			<u>\$ 122,750</u>

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

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

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	EWHS Disaster Fund	\$ 156,003
General Fund	Other Governmental Fund	126,062
EWHS Disaster Fund	Agency Fund	9,013
QSCB Bonds	EWHS Disaster Fund	2,460
Other Governmental	General Fund	15,566
Total		<u>\$ 309,104</u>

All interfund loans from the General Fund were made to offset deficit cash balances. All other loans were for expenditures made by receiving funds that were due from the General Fund.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	EWHS Disaster Fund	\$ 5,851
General Fund	Other governmental funds	181,967
16th Section Interest	General Fund	130,500
16th Section Interest	Other governmental funds	106,500
Other governmental funds	General Fund	37,470
Total		<u>\$ 462,288</u>

Transfers in and out were for indirect costs and construction activities.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$ 10,299 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash balance in the Wofford Trust Fund totaling \$1,065. In addition the restricted assets balance includes investments and accrued interest receivable balances of \$122,750 and \$307, respectively of the QSCB sinking fund set aside for repayment of the \$1,500,000 qualified school construction bonds and \$648,590 of cash set aside in the QSCB Bond fund restricted for various QSCB construction projects. Finally the \$158,350 set aside in the MAEP Limited Obligation Bond Fund and reported as cash with fiscal agents is also reported as a restricted asset.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 214,048	\$ -	\$ -	\$ -	\$ 214,048
Construction-in-progress	854,259	6,200,384		(272,415)	6,782,228
Total non-depreciable capital assets	1,068,307	6,200,384	-	(272,415)	6,996,276
<u>Depreciable capital assets:</u>					
Buildings	9,552,051				9,552,051
Building improvements	488,889			272,415	761,304
Improvements other than buildings	940,980			31,311	972,291
Mobile equipment	1,922,981	10,240		73,200	2,006,421
Furniture and equipment	642,174	77,486	(9,525)		710,135
Total depreciable capital assets	13,547,075	87,726	(9,525)	376,926	14,002,202
<u>Less accumulated depreciation for:</u>					
Buildings	3,826,864	167,128			3,993,992
Building improvements	45,760	30,452			76,212
Improvements other than buildings	115,824	36,553		1,253	153,630
Mobile equipment	1,270,742	98,174		65,880	1,434,796
Furniture and equipment	373,262	124,571	(9,430)		488,403
Total accumulated depreciation	5,632,452	456,878	(9,430)	67,133	6,147,033
Total depreciable capital assets, net	7,914,623	(369,152)	(95)	309,793	7,855,169
Governmental activities capital assets, net	\$ 8,982,930	\$ 5,831,232	\$ (95)	\$ 37,378	\$ 14,851,445

Adjustments represent completed construction transferred to building improvements and a prior period adjustment for assets mistakenly deleted for reporting purposes net of related accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 265,451
Support services	145,535
Non-instructional	45,892
Total depreciation expense - Governmental activities	<u>\$ 456,878</u>

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

Construction in progress is composed of:

	Spent to	Remaining
	June 30, 2013	Commitment
Governmental Activities:		
East Webster High School building and related projects	\$ 5,517,880	\$ 1,501,116
East Webster High School gymnasium	416,407	1,608,579
East Webster High School Football Field House	332,868	31,172
East Webster High School Auditorium	82,593	10,185
East Webster High School Band Hall	189,011	204,638
East Webster High School Cafeteria	78,525	20,300
Eupora Elementary Cafeteria	32,225	138,327
Eupora High School Baseball Field House	27,244	25,000
Eupora High School PE building	105,475	315,401
Total governmental activities	<u>\$ 6,782,228</u>	<u>\$ 3,854,718</u>

Construction projects included in governmental activities are funded with various financial resources. East Webster High School incurred substantial tornado damage on April 27, 2011. The district has received substantial insurance recovery funds and FEMA funds. The remaining balance will be funded with insurance proceeds and district resources.

Note 6 – Long-term Liabilities

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

	Balance			Balance	Amounts
	7/1/2012	Additions	Reductions	6/30/2013	due within
					one year
A. Limited obligation bonds payable	\$ 1,800,000	36,000	245,000	1,591,000	248,000
B. Three mill notes payable	250,500		59,300	191,200	61,500
C. Shortfall notes payable	150,022		107,022	43,000	43,000
D. Qualified school construction bonds	1,500,000			1,500,000	-
E. Compensated absences payable	126,149	13,538	11,640	128,047	
Total	<u>\$ 3,826,671</u>	<u>49,538</u>	<u>422,962</u>	<u>3,453,247</u>	<u>352,500</u>

A. Limited obligation bonds payable

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

Description	Interest		Maturity	Amount	Amount
	Rate	Issue Date	Date	Issued	Outstanding
1. State Aid Capital Improvement Bonds, Series	1.39%	11/16/2012	2/1/2018	\$ 1,591,000	\$ 1,591,000
Total				<u>\$ 1,591,000</u>	<u>1,591,000</u>

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

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

1. Limited obligation bond issue of 11/16/2012

Year Ending June 30	Principal	Interest	Total
2014	\$ 248,000	\$ 33,271	\$ 281,271
2015	280,000	22,256	302,256
2016	285,000	17,029	302,029
2017	290,000	11,710	301,710
2018	488,000	6,309	494,309
Total	\$ 1,591,000	\$ 90,575	\$ 1,681,575

This debt will be retired from the MAEP debt service fund.

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

Advance Refunding

On November 16, 2012, the district issued \$1,591,000 in limited obligation bonds payable with an average interest rate of 1.39% to advance refund \$1,555,000 of outstanding limited obligation bonds payable with an average interest rate of 3.55%. The net proceeds of \$1,555,000 after payments of \$19,245 for issuance costs, and \$16,755 for interest due on the old outstanding limited obligation bonds payable, were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the limited obligation bonds payable.

As a result, the limited obligation bonds payable are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the limited obligation bonds payable to reduce its total debt service payments over the remaining six years of the debt by approximately \$59,445 and to realize an economic gain of \$57,657.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series					
1. 2005	3.66%	8/4/2005	8/4/2015	565,000	\$ 191,200
Total				\$ 565,000	191,200

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

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

1. Three mill notes payable issue of 8/4/2005:

Year Ending June 30	Principal	Interest	Total
2014	\$ 61,500	\$ 6,998	\$ 68,498
2015	63,700	4,747	68,447
2016	66,000	2,416	68,416
Total	\$ 191,200	\$ 14,161	\$ 205,361

This debt will be retired from the 4091 Series Debt Service - note retirement fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note, Series	2.06	9/14/2010	9/14/2013	\$ 125,710	43,000
Total				\$ 125,710	43,000

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

1. Shortfall notes payable issue of 9/14/2010

Year Ending June 30	Principal	Interest	Total
2014	\$ 43,000	\$ 885	\$ 43,885
Total	\$ 43,000	\$ 885	\$ 43,885

This debt will be retired from the 4011 Shortfall Note Retirement Fund.

D. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. The Commercial Bank	5.79	1/20/2011	12/1/2025	\$ 750,000	750,000
2. Bank of Kilmichael	5.79	1/20/2011	12/1/2025	750,000	750,000
Total				\$ 1,500,000	1,500,000

E. Compensated absences payable

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

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has an operating lease with the Golden Triangle Planning and Development District, Inc. for the property located at Wood Circle, 403 Highway North, Webster County, Mississippi. The district is leasing the property formerly known as Wood College to serve as the educational facility for East Webster High School that was severely damaged by the April 27, 2011 tornado.

The initial lease term was effective from May 1, 2011 through May 31, 2012. There was an additional option to renew the lease on a month to month basis for the subsequent three years following the initial lease term. The district is to pay the lessor \$35,000 per month that the district is occupying the leased property.

Lease expenditures for the year ended June 30, 2013, amounted to \$420,000. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2014	\$ 205,000
Total	<u>205,000</u>

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,194,103, \$1,016,594 and \$955,385, respectively, which equaled the required contributions for each year.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

Note 9 – Sixteenth Section Lands

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

<u>Year Ending June 30</u>		<u>Amount</u>
2014	\$	83,316
2015		15,280
2016		15,280
2017		10,020
2018		9,614
2019 – 2023		15,590
2024 – 2028		275
2029 – 2033		175
2034 – 2038		175
2039-2043		210
Total	\$	<u>149,935</u>

Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>		<u>Amount</u>
1. Error in prior year capital asset deletions, net of related accumulated depreciation	\$	37,378
Total	\$	<u>37,378</u>

Note 11 – Contingencies

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$122,750. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2013**

<u>Year Ending June 30</u>		<u>Amount</u>
2014	\$	106,000
2015		106,000
2016		106,000
2017		106,000
2018		106,000
2019 – 2023		530,000
2024 – 2028		318,000
Total	\$	<u>1,378,000</u>

During the fiscal year ended June 30, 2013, the district paid \$86,850 of interest on the qualified school construction bonds.

Note 14 - Insurance loss recoveries

Webster County School District received \$951,165 in insurance loss recoveries related to damage to a school bus during the 2012-2013 fiscal year and the remainder of insurance proceeds from the April 27, 2011 tornado. In the government-wide Statement of Activities, \$7,553 of the insurance loss recoveries were reported as charges for services and allocated to the support service expense function. The remainder of the insurance proceeds totaling \$943,612 was reported as an extraordinary item.

Note 15 – Extraordinary Items

The school district was significantly impacted by the tornado that severely damaged East Webster High School on April 27, 2011. One of the school buildings was completely totaled by the district's insurance carrier with the other three being significantly impaired. During the fiscal year ended June 30, 2011 the district reported a \$699,128 impairment loss that was reported as an extraordinary item. During the fiscal year ended June 30, 2012 the district reported a \$8,515,591 gain as an extraordinary item for insurance proceeds received in relation to the tornado damage. During the current year the district received an additional \$943,612 of insurance proceeds for the loss of property attributable to the April 27, 2011 tornado. The proceeds were received due to the extraordinary circumstances surrounding the damage incurred by the tornado in the June 30, 2011 fiscal year.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Webster County School District evaluated the activity of the district through August 6, 2014, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- On August 15, 2013 the district financed \$1,350,000 with Trustmark Bank to finance construction costs on East Webster High School pending reimbursement from FEMA, MEMA and Insurance. The note matures on August 1, 2028 and accrues interest at a 3.5% annual rate of interest.
- On September 6, 2013 the district issued shortfall notes with the Bank of Kilmichael in the amount of \$179,609, The note matures on September 6, 2016 and accrues interest at an annual rate of 2.39%
- On March 22, 2014 declared a state of emergency for the fire at Eupora High School. The total dollar amount of the damage and the amount that will expended to restore the building has not been determined as of the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

Webster County School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,712,738	\$ 2,760,373	\$ 2,705,373	\$ 47,635	\$ (55,000)
State sources	8,250,277	7,449,032	7,444,032	(801,245)	(5,000)
Federal sources	139,000	168,160	168,160	29,160	-
Total Revenues	11,102,015	10,377,565	10,317,565	(724,450)	(60,000)
Expenditures:					
Instruction	7,344,518	7,398,997	7,337,997	(54,479)	61,000
Support services	3,474,850	3,744,521	3,699,521	(269,671)	45,000
Noninstructional services	-	6,787	6,787	(6,787)	-
Facilities acquisition and construction	-	27,244	27,244	(27,244)	-
Total Expenditures	10,819,368	11,177,549	11,071,549	(358,181)	106,000
Excess (Deficiency) of Revenues over (under) Expenditures	282,647	(799,984)	(753,984)	(1,082,631)	46,000
Other Financing Sources (Uses):					
Insurance recovery	-	7,553	7,553	7,553	-
Premiums on bonds and refunding bonds issued	46,051	37,470	-	(8,581)	(37,470)
Operating transfers in	953,180	1,034,742	167,970	81,562	(866,772)
Operating transfers out	(1,717,579)	(1,067,553)	(187,818)	650,026	879,735
Other financing uses	0	0	(167,475)	0	(167,475)
Total Other Financing Sources (Uses)	(718,348)	12,212	(179,770)	730,560	(191,982)
Net Change in Fund Balances	(435,701)	(787,772)	(933,754)	(352,071)	(145,982)
July 1, 2012,	1,420,500	1,613,327	1,613,327	192,827	-
June 30, 2013	\$ 984,799	\$ 825,555	\$ 679,573	\$ (159,244)	\$ (145,982)

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

**Webster County School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 16th Section Interest
 For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 211,700	\$ 279,959	\$ 279,959	\$ 68,259	\$ -
Total Revenues	211,700	279,959	279,959	68,259	-
Expenditures:					
Sixteenth section	2,500	10,424	10,424	(7,924)	-
Total Expenditures	2,500	10,424	10,424	(7,924)	-
Excess (Deficiency) of Revenues over (under) Expenditures	209,200	269,535	269,535	60,335	-
Other Financing Sources (Uses):					
Operating transfers out	(137,000)	(287,000)	(237,000)	(150,000)	50,000
Total Other Financing Sources (Uses)	(137,000)	(287,000)	(237,000)	(150,000)	50,000
Net Change in Fund Balances	72,200	(17,465)	32,535	(89,665)	50,000
Fund Balances:					
July 1, 2012,	1,426,900	1,542,591	1,542,591	115,691	-
June 30, 2013	\$ 1,499,100	\$ 1,525,126	\$ 1,575,126	\$ 26,026	\$ 50,000

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

**Webster County School District
Required Supplementary Information
Budgetary Comparison Schedule
EWHS Disaster Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ -	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Federal sources	3,000,000	365,195	365,195	(2,634,805)	-
Total Revenues	3,000,000	865,195	865,195	(2,134,805)	-
Expenditures:					
Instruction	-	12,015	12,015	(12,015)	-
Support services	-	496,504	468,096	(496,504)	28,408
Facilities acquisition and construction	6,890,000	5,836,504	5,814,912	1,053,496	21,592
Total Expenditures	6,890,000	6,345,023	6,295,023	544,977	50,000
Excess (Deficiency) of Revenues over (under) Expenditures	(3,890,000)	(5,479,828)	(5,429,828)	(1,589,828)	50,000
Other Financing Sources (Uses):					
Insurance recovery	-	943,612	-	943,612	(943,612)
Operating transfers in	-	5,851	5,851	5,851	-
Total Other Financing Sources (Uses)	-	949,463	5,851	949,463	(943,612)
Extraordinary items	-	-	943,612	-	943,612
Net Change in Fund Balances	(3,890,000)	(4,530,365)	(4,480,365)	(640,365)	50,000
Fund Balances:					
July 1, 2012,	3,932,812	5,366,751	5,587,469	1,433,939	220,718
June 30, 2013	\$ 42,812	\$ 836,386	\$ 1,107,104	\$ 793,574	\$ 270,718

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

**Webster County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2013**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

WEBSTER COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 162,782
National school lunch program	10.555	508,398
Total child nutrition cluster		<u>671,180</u>
Total passed-through Mississippi Department of Education		<u>671,180</u>
Total U.S. Department of Agriculture		<u>671,180</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	109,163
Total Federal Communications Commission		<u>109,163</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	652,354
Career and technical education - basic grants to states	84.048	22,094
Rural education	84.358	65,453
Improving teacher quality-State Grants	84.367	66,460
Subtotal		<u>806,361</u>
Special education cluster:		
Special education - grants to states	84.027	492,636
Special education - preschool grants	84.173	16,415
Total special education cluster		<u>509,051</u>
Total passed-through Mississippi Department of Education		<u>1,315,412</u>
Total U.S. Department of Education		<u>1,315,412</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	7,945
Total passed-through Mississippi Department of Education		<u>7,945</u>
Total U.S. Department of Health and Human Services		<u>7,945</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	365,195
Total passed-through Mississippi Emergency Management Agency		<u>365,195</u>
Total Department of Homeland Security		<u>365,195</u>
Total for All Federal Awards		<u>\$ 2,468,895</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

WEBSTER COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,395,447	8,768,841	587,309	808,664	1,230,633
Other	10,574,142	1,266,061	136,772	22,255	9,149,054
Total	\$ 21,969,589	10,034,902	724,081	830,919	10,379,687
Total number of students *	1,837				
Cost per student	\$ 11,959	5,463	394	452	5,650

For purposes of this schedule, the following columnar descriptions are applicable:

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

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

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

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

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

OTHER INFORMATION

WEBSTER COUNTY SCHOOL DISTRICT
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 2,705,373	\$ 2,740,240	\$ 2,822,183	\$ 2,654,372
State sources	7,444,032	7,335,440	7,538,656	7,612,019
Federal sources	168,160	166,150	148,627	106,915
Total Revenues	10,317,565	10,241,830	10,509,466	10,373,306
Expenditures:				
Instruction	7,337,997	7,009,060	5,982,402	6,525,179
Support services	3,699,521	3,467,220	3,325,540	3,474,281
Noninstructional services	6,787	6,053	4,057	6,391
Facilities acquisition and construction	27,244	93,294	16,194	-
Debt service:				
Principal	-	-	1,420	2,840
Interest	-	-	780	680
Total Expenditures	11,071,549	10,575,627	9,330,393	10,009,371
Excess (Deficiency) of Revenues over (under) Expenditures	(753,984)	(333,797)	1,179,073	363,935
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	125,710	184,786
Capital leases issued	-	-	-	4,260
Insurance recovery	7,553	-	12,215	-
Sale of transportation equipment	-	-	-	2,933
Operating transfers in	167,970	46,886	200,842	1,034,476
Operating transfers out	(187,818)	(105,577)	(867,187)	(870,771)
Other financing uses	(167,475)			
Total Other Financing Sources (Uses)	(179,770)	(58,691)	(528,420)	355,684
Net Change in Fund Balances	(933,754)	(392,488)	650,653	719,619
Fund Balances:				
Beginning of period,	1,613,327	2,005,815	1,355,162	635,543
End of Period	\$ 679,573	\$ 1,613,327	\$ 2,005,815	\$ 1,355,162

*SOURCE - PRIOR YEAR AUDIT REPORTS

WEBSTER COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 3,019,903	\$ 3,024,334	\$ 3,103,398	\$ 2,948,982
State sources	9,478,910	8,828,358	8,257,967	8,296,491
Federal sources	2,644,751	4,780,924	3,033,224	2,765,349
Sixteenth section sources	303,314	453,721	541,428	393,437
Total Revenues	15,446,878	17,087,337	14,936,017	14,404,259
Expenditures:				
Instruction	9,091,094	9,105,575	8,505,219	8,801,371
Support services	5,167,053	8,711,260	4,490,649	4,300,300
Noninstructional services	893,950	884,253	830,927	876,808
Sixteenth section	32,289	75,053	28,993	33,798
Facilities acquisition and construction	6,200,384	1,176,252	168,675	-
Debt service:				
Principal	411,322	428,360	404,935	221,532
Interest	152,752	165,015	104,067	107,217
Other	20,745	1,500	1,035	1,000
Total Expenditures	21,969,589	20,547,268	14,534,500	14,342,026
Excess (Deficiency) of Revenues over (under) Expenditures	(6,522,711)	(3,459,931)	401,517	62,233
Other Financing Sources (Uses):				
Bonds and notes issued			1,625,710	184,786
Capital leases issued			-	4,260
Insurance recovery	7,553		460,526	-
Refunding bonds issued	1,591,000			
Payment to escrow agent	(1,555,000)			
Payment to refunded bond escrow agent	(106,000)	(16,000)		
Sale of transportation equipment				2,933
Operating transfers in	462,288	168,963	1,068,029	1,905,247
Other financing sources	106,000	16,000	-	
Operating transfers out	(462,288)	(168,963)	(1,068,029)	(1,905,247)
Other financing uses	(167,475)			
Total Other Financing Sources (Uses)	(123,922)	-	2,086,236	191,979
Extraordinary items	943,612	8,515,591		
Net Change in Fund Balances	(5,703,021)	5,055,660	2,487,753	254,212
Fund Balances:				
Beginning of period,	10,604,619	5,544,030	3,048,964	2,800,460
Increase (Decrease) in reserve for inventory	(2,503)	4,929	7,313	(5,708)
End of Period	\$ 4,899,095	\$ 10,604,619	\$ 5,544,030	\$ 3,048,964

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
 Webster County School District

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, each major fund, and the aggregate remaining fund information of the Webster County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated August 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Webster County 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 Webster County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Webster County School District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. **Finding 2013-01**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Webster County School District's Response to Findings

Webster County School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Webster County 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.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

August 6, 2014

Watkins, Ward and Stafford, PLLC



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Superintendent and School Board
 Webster County School District

Report on Compliance for Each Major Federal Program

We have audited Webster County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Webster County School District's major federal programs for the year ended June 30, 2013. Webster County School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Webster County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webster County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Webster County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Webster County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Webster County School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Webster County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Webster County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as item **2013-02** that we consider to be a significant deficiency

Webster County School District's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Webster County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response..

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

August 6, 2014

Watkins, Ward and Stafford, PLLC

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



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

Superintendent and School Board
 Webster County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2013, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated August 6, 2014. 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.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,193 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. Principals and Purchasing Agents Should Be Bonded for the Statutorily Required Amount with the Bond Recorded in the Chancery Clerk's Office

Finding

Section 37-9-31 Miss Code Ann. (1972) and Section 25-1-19 Miss Code Ann. (1972) requires that school principals shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. Section 37-39-21 Miss Code Ann. (1972) and Section 25-1-19 Miss Code Ann. (1972) requires that purchasing agents shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted that two principals and two purchasing agents did not have a surety bond recorded and on file at the chancery clerk's office.

Recommendation

We recommend the school district comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

School District's Response

We will comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office. The district has notified the insurance agent to ensure all of the proper bonds are obtained and invoiced to the district. The district has received and paid the bonds invoices in question.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

The Webster County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
August 6, 2014

Watkins, Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEBSTER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 3. | Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | | |
|----|---|------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child nutrition cluster
84.010	Title I grants to local educational agencies
84.027/84.173	Special education cluster

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? (yes/no) | No |

WEBSTER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

Significant Deficiency Not Considered To Be A Material Weakness

2013-1 Internal Controls Over Activity Fund Receipts Should Be Strengthened

Finding

During our testing of activity fund receipts we noted the following deficiencies:

- We noted deposits from athletic events at Eupora High School are consistently deposited more than one business day from the date of the applicable athletic event.
- We noted the gate workers were not signing the applicable athletic event worksheet verifying cash collected at the applicable athletic event at Eupora High School
- We noted three instances at East Webster High School where a deposit was not made within one business day of the date of the applicable receipt.
- We noted one instance where the monthly activity transmittal report was not signed by the applicable principal verifying the proper review of the document.

Proper internal controls were not in place to ensure deposits were made timely and that documentation was retained to provide assurances that the proper amount of revenue was recorded.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

Recommendation

We recommend the district implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. We also recommend that all athletic event forms contain the correct information regarding beginning and ending ticket numbers for the applicable event, that tickets be issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

**AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS**

Webster County Schools

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95 CLARK AVENUE - EUPORA, MS 39744

FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by the OMB Circular A-133 the Webster County School District has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended June 30, 2013.

CORRECTIVE ACTION PLAN DETAILS

- Finding** **A. Superintendent- Jack Treloar**
2013-1 **Business Adm. – James Shaw**
 Principals - Bill Brand, Jim Ray, Lacy Knight, Jack Rolison
- B. The District will implement internal control procedures to ensure all deposits are made daily and revenue is recorded properly. We will also ensure athletic event forms contain the proper information and verify that the proper signatures are obtained.**

Webster County Schools

PHONE 662-258-5921, EXT. 23 - FAX 662-258-3134

85 CLARK AVENUE, SUPOBA, MS 39744
CORRECTIVE ACTION PLAN DETAILS

Finding
2013-2

- A. Superintendent- Jack Treloar
Business Adm. - James Shaw
Food Services Dir. – Amy Rollins

- B. The District will require more than one individual to be involved with the daily reconciliation and deposits of food sales receipts. The District will ensure that the proper individuals are notified of the requirements and procedures contained in the Mississippi Department of Education Child Nutrition program policy and procedure manual.

Webster County Schools

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95 CLARK AVENUE – EUPORA, MS 39744

SUMMARY OF PRIOR AUDIT FINDINGS

Financial and Compliance Audit Division

As required by Section _____ .315(b) of OMB Circular A-133, the Webster County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2013:

Finding	Status
2012-01	Repeat Finding
2012-02	Corrected
2012-03	Corrected

Sincerely,

Jack Treloar, Superintendent