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**WEBSTER COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2015**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**

**WEBSTER COUNTY SCHOOL DISTRICT  
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**INDEPENDENT AUDITORS' REPORT**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**



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Professional Limited Liability Company  
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**INDEPENDENT AUDITORS' 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, 2015, and the related notes to financial statements, which collectively comprise the Webster County School District's basic financial statements as listed in the 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.

***Auditors' 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 auditors' 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 auditors consider 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, 2015, 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, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-14, 46-48, 49 and 50, respectively, 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 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), 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 accompanying supplementary information mentioned above 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 March 24, 2016 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  
March 24, 2016

*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, 2015**

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, 2015. 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 2015 decreased \$17,490,560 including a prior period adjustment of \$(17,624,663), which represents a 92% decrease from fiscal year 2014. Total net position for 2014 increased \$2,554,406, including a prior period adjustment of \$(27,244), which represents a 16% increase from fiscal year 2013.
- General revenues amounted to \$12,055,677 and \$11,158,286, or 77% and 70% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,612,322, or 23% of total revenues for 2015, and \$4,708,791 or 30 % of total revenues for 2014.
- The District had \$15,709,179 and \$16,099,826 in expenses for fiscal years 2015 and 2014; only \$3,612,322 for 2015 and \$4,708,791 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,055,677 for 2015 and \$11,158,286 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,207,327 in revenues and \$11,589,583 in expenditures for 2015, and \$10,851,023 in revenues and \$11,182,345 in expenditures in 2014. The General Fund's fund balance increased by \$1,265,287 from 2014 to 2015, which included a prior period adjustment of \$19,443 and a fund reclassification of \$1,174,936, and increased by \$233,448 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$434,371 for 2015 and increased by \$3,182,873 for 2014. The increase for 2015 was due to construction at the two high schools netted against the increase in accumulated depreciation.
- Long-term debt decreased by \$1,665,950 for 2015 and increased by \$1,047,409 for 2014. This decrease for 2015 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$12,688 for 2015 and increased by \$10,610 for 2014.

**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.

The Statement of Net Position presents information on all the District's nonfiduciary 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.

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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.

**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:

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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. Additionally, the schedule of the district's proportionate share of the net pension liability and the schedule of the district's contributions are presented in this section.

**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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,497,177 as of June 30, 2015.

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

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 3,160,928	\$ 6,606,391	-52.15 %
Restricted assets	653,942	390,702	67.38 %
Capital assets, net	18,468,689	18,034,318	2.41 %
<b>Total assets</b>	<b><u>22,283,559</u></b>	<b><u>25,031,411</u></b>	<b>-10.98 %</b>
<b>Deferred outflows of resources</b>	<b><u>1,576,676</u></b>	<b><u>-</u></b>	<b>N/A %</b>
Current liabilities	455,532	1,532,408	-70.27 %
Long-term debt outstanding	2,858,004	4,511,266	-36.65 %
Net pension Liability	16,629,292	-	N/A %
<b>Total liabilities</b>	<b><u>19,942,828</u></b>	<b><u>6,043,674</u></b>	<b>229.98 %</b>
<b>Deferred inflows of resources</b>	<b><u>2,420,230</u></b>	<b><u>-</u></b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	15,905,689	13,841,318	14.91 %
Restricted	1,181,030	4,431,991	-73.35 %
Unrestricted	(15,589,542)	714,428	-2282.10 %
<b>Total net position</b>	<b><u>\$ 1,497,177</u></b>	<b><u>\$ 18,987,737</u></b>	<b>-92.12 %</b>

Additional information on unrestricted net position:

In connection with the implantation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$(15,589,542)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>17,472,846</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,883,304</u>

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 \$434,371.
- The principal retirement of \$1,688,461 of long-term debt.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of net pension liability of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$15,667,999 and \$15,867,077, respectively. The total cost of all programs and services was \$15,709,179 for 2015 and \$16,099,826 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 914,611	\$ 841,965	8.63 %
Operating grants and contributions	2,697,711	3,866,826	(30.23) %
General revenues:			
Property taxes	2,303,196	2,257,524	2.02 %
Grants and contributions not restricted	9,449,517	8,648,773	9.26 %
Investment earnings	7,777	6,250	24.43 %
Sixteenth section sources	167,153	157,876	5.88 %
Other	128,034	87,863	45.72 %
<b>Total revenues</b>	<b>15,667,999</b>	<b>15,867,077</b>	<b>(1.25) %</b>
<b>Expenses:</b>			
Instruction	8,853,118	9,587,674	(7.66) %
Support services	4,623,348	5,356,712	(13.69) %
Non-instructional	937,267	966,215	(3.00) %
Sixteenth section	44,690	26,344	69.64 %
Pension Expense	1,122,751	-	N/A %
Interest on long-term liabilities	128,005	162,881	(21.41) %
<b>Total expenses</b>	<b>15,709,179</b>	<b>16,099,826</b>	<b>(2.43) %</b>
<b>Extraordinary Items</b>	<b>175,283</b>	<b>2,814,399</b>	
<b>Increase (Decrease) in net position</b>	<b>134,103</b>	<b>2,581,650</b>	<b>(94.81) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>18,987,737</b>	<b>16,433,331</b>	15.54 %
<b>Prior Period Adjustment</b>	<b>(17,624,663)</b>	<b>(27,244)</b>	(64,591.91) %
<b>Net Position, July 1, as restated</b>	<b>1,363,074</b>	<b>16,406,087</b>	<b>(91.69) %</b>
<b>Net Position, June 30</b>	<b>\$ 1,497,177</b>	<b>\$ 18,987,737</b>	<b>(92.12) %</b>

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Governmental activities**

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 8,853,118	\$ 9,587,674	(7.66) %
Support services	4,623,348	5,356,712	(13.69) %
Non-instructional	937,267	966,215	(3.00) %
Sixteenth section	44,690	26,344	69.64 %
Pension Expense	1,122,751	-	N/A %
Interest on long-term liabilities	128,005	162,881	(21.41) %
<b>Total expenses</b>	<b><u>\$ 15,709,179</u></b>	<b><u>\$ 16,099,826</u></b>	<b>(2.43) %</b>
	<u>Net (Expense) Revenue</u>		
	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Instruction	\$ (7,115,207)	\$ (7,770,187)	(8.43) %
Support services	(3,831,609)	(3,568,115)	7.38 %
Non-instructional	55,820	45,982	21.40 %
Sixteenth section	(35,615)	(16,431)	116.75 %
Pension Expense	(1,122,751)	-	N/A %
Interest on long-term liabilities	(47,495)	(82,284)	(42.28) %
<b>Total net (expense) revenue</b>	<b><u>\$ (12,096,857)</u></b>	<b><u>\$ (11,391,035)</u></b>	<b>6.20 %</b>

- Net cost of governmental activities (\$12,096,857 for 2015 and \$11,391,035 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$2,303,196 for 2015 and \$2,257,524 for 2014) and state and federal revenues (\$9,449,517 for 2015 and \$8,648,773 for 2014). In addition, there was \$167,153 and \$157,876 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$7,777 for 2015 and \$6,250 for 2014.

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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 \$3,297,630 a decrease of \$2,136,964 which includes a prior period adjustment of \$78,930 and an increase in inventory of \$9,218. \$1,841,339 or 56% 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 \$1,456,291 or 44% 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 increase in fund balance in the General Fund for the fiscal year was \$1,265,287, which includes a prior period adjustment of \$19,443 and a fund reclassification of \$1,174,936. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,154,409, which includes a fund reclassification of (\$1,174,936) and an increase in reserve for inventory of \$9,218. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
EWHS Disaster Fund \$	(1,576,607)
EHS Fire Fund \$	(671,235)

The decrease in fund balance of the EWHS Disaster Fund includes a prior period adjustment of \$59,487.

**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 a major special revenue fund is provided in this report as required supplementary information.

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$25,833,808 including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,019,045 from 2014. Total accumulated depreciation as of June 30, 2015, was \$7,365,119 and total depreciation expense for the year was \$596,981 resulting in total net capital assets of \$18,468,689.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 214,048	\$ 214,048	0.00 %
Construction in Progress	1,036,360	66,697	1,453.83 %
Buildings	15,088,445	15,481,639	(2.54) %
Building improvements	624,188	654,640	(4.65) %
Improvements other than buildings	947,991	993,345	(4.57) %
Mobile equipment	473,084	483,827	(2.22) %
Furniture and equipment	84,573	140,122	(39.64) %
<b>Total</b>	<b>\$ 18,468,689</b>	<b>\$ 18,034,318</b>	<b>2.41 %</b>

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

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Debt Administration.** At June 30, 2015, the District had \$ 2,858,004 in outstanding long-term debt, of which \$352,131 is due within one year. The liability for compensated absences increased \$12,688 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation bonds payable	1,063,000	1,343,000	(20.85) %
Three mill notes payable	-	1,350,000	(100.00) %
Shortfall notes payable	143,659	179,609	(20.02) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	151,345	138,657	9.15 %
<b>Total</b>	<b><u>\$ 2,858,004</u></b>	<b><u>\$ 4,511,266</u></b>	<b>(36.65) %</b>

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

**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 management to meet the challenges of the future.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**FINANCIAL STATEMENTS**

**Webster County School District  
Statement of Net Position  
June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,164,770
Due from other governments	714,078
Other receivables, net	155,032
Inventories	50,189
Prepaid items	76,859
Restricted assets	653,942
Capital assets, non-depreciable:	
Land	214,048
Construction in progress	1,036,360
Capital assets, net of accumulated depreciation:	
Buildings	15,088,445
Building improvements	624,188
Improvements other than buildings	947,991
Mobile equipment	473,084
Furniture and equipment	84,573
Total Assets	<u>22,283,559</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	1,576,676
Total Deferred Outflows of Resources	<u>1,576,676</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	409,803
Interest payable on long-term liabilities	45,729
Long-term liabilities, due within one year:	
Capital related liabilities	285,000
Non-capital related liabilities	67,131
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,278,000
Non-capital related liabilities	227,873
Net pension liability	16,629,292
Total Liabilities	<u>19,942,828</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	2,420,230
Total Deferred Inflows of Resources	<u>2,420,230</u>
<b>Net Position</b>	
Net investment in capital assets	15,905,689
Restricted for:	
Expendable:	
School-based activities	160,458
Debt service	790,983
Capital improvements	77,029
Forestry improvements	103,687
Unemployment benefits	37,377
Non-expendable:	
Sixteenth section	11,496
Unrestricted (deficit)	(15,589,542)
Total Net Position	<u>\$ 1,497,177</u>

The accompanying notes to financial statements are an integral part of these financial statements.

Webster County School District  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 8,853,118	\$ 619,081	\$ 1,118,830	\$ -		\$ (7,115,207)
Support services	4,623,348	-	791,739	-		(3,831,609)
Non-instructional	937,267	286,455	706,632	-		55,820
Sixteenth section	44,690	9,075	-	-		(35,615)
Pension expense	1,122,751	-	-	-		(1,122,751)
Interest on long-term liabilities	128,005	-	80,510	-		(47,495)
<b>Total Governmental Activities</b>	<b>\$ 15,709,179</b>	<b>\$ 914,611</b>	<b>\$ 2,697,711</b>	<b>\$ -</b>		<b>\$ (12,096,857)</b>

General Revenues:

Taxes:

General purpose levies	2,243,260
Debt purpose levies	59,936

Unrestricted grants and contributions:

State	9,319,183
Federal	130,334
Unrestricted investment earnings	7,777
Sixteenth section sources	167,153
Other	128,034

Total General Revenues 12,055,677

Extraordinary items 175,283

Total General Revenues, Special Items,  
Extraordinary Items and Transfers 12,230,960

Change in Net Position 134,103

Net Position - Beginning, as previously reported 18,987,737  
Prior Period Adjustments (17,624,663)

Net Position - Beginning, as restated 1,363,074

Net Position - Ending \$ 1,497,177

The accompanying notes to financial statements are an integral part of these financial statements.

Webster County School District  
 Governmental Funds  
 Balance Sheet  
 June 30, 2015

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	EWHS Disaster Fund	EHS Fire Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 1,624,092	\$ 167,759	\$ -	\$ 383,349	\$ 2,175,200
Cash with fiscal agents	-	-	-	150,410	150,410
Investments	-	-	-	337,306	337,306
Due from other governments	171,691	292,005	-	297,842	761,538
Accrued interest receivable	-	-	-	900	900
Other receivables, net	340	-	154,691	-	155,031
Due from other funds	459,163	-	-	2,082	461,245
Inventories	-	-	-	50,189	50,189
Prepaid items	76,859	-	-	-	76,859
<b>Total Assets</b>	<b>\$ 2,332,145</b>	<b>\$ 459,764</b>	<b>\$ 154,691</b>	<b>\$ 1,222,078</b>	<b>\$ 4,168,678</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 151,755	\$ 92,285	\$ 128,067	\$ 37,696	\$ 409,803
Due to other funds	2,082	290,450	26,624	142,089	461,245
<b>Total Liabilities</b>	<b>\$ 153,837</b>	<b>\$ 382,735</b>	<b>\$ 154,691</b>	<b>\$ 179,785</b>	<b>\$ 871,048</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	50,189	50,189
Permanent fund principal	-	-	-	11,496	11,496
Prepaid items	76,859	-	-	-	76,859
<b>Restricted:</b>					
Debt service	-	-	-	729,275	729,275
Capital projects	-	77,029	-	-	77,029
Forestry improvement purposes	-	-	-	103,687	103,687
Grant activities	-	-	-	110,269	110,269
Unemployment benefits	-	-	-	37,377	37,377
<b>Assigned:</b>					
Activity funds	260,110	-	-	-	260,110
<b>Unassigned</b>	<b>1,841,339</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,841,339</b>
<b>Total Fund Balances</b>	<b>2,178,308</b>	<b>77,029</b>	<b>-</b>	<b>1,042,293</b>	<b>3,297,630</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,332,145</b>	<b>\$ 459,764</b>	<b>\$ 154,691</b>	<b>\$ 1,222,078</b>	<b>\$ 4,168,678</b>

The accompanying notes to financial statements are an integral part of these financial statements.

**Webster County School District  
Governmental Funds**

**Exhibit C-1**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2015**

**Total fund balances for governmental funds** \$ 3,297,630

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	1,036,360	
Buildings	19,811,574	
Building improvements	761,304	
Improvements other than buildings	1,192,329	
Mobile equipment	2,085,460	
Furniture and equipment	732,733	
Accumulated depreciation	<u>(7,365,119)</u>	18,468,689

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.

107,437

3. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(16,629,292)	
-----------------------	--------------	--

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,576,676	
Deferred inflows of resources related to pensions	<u>(2,420,230)</u>	(17,472,846)

4. 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	\$ (1,063,000)	
Shortfall notes payable	(143,659)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(151,345)	
Accrued interest payable	<u>(45,729)</u>	(2,903,733)

**Net position of governmental activities** \$ 1,497,177

The accompanying notes to financial statements are an integral part of these financial statements.

Webster County School District  
Governmental Funds

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances  
For The Year Ended June 30, 2015

	Major Funds				
	General Fund	EWHS Disaster Fund	EHS Fire Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local sources	\$ 3,083,722	\$ -	\$ -	\$ 294,763	\$ 3,378,485
State sources	8,794,125	-	-	1,224,703	10,018,828
Federal sources	161,832	-	-	1,966,568	2,128,400
Sixteenth section sources	167,648	-	-	9,385	177,033
<b>Total Revenues</b>	<b>12,207,327</b>	<b>-</b>	<b>-</b>	<b>3,495,419</b>	<b>15,702,746</b>
<b>Expenditures:</b>					
Instruction	7,715,291	-	191,703	1,500,285	9,407,279
Support services	3,863,242	11,554	38,236	958,349	4,871,381
Noninstructional services	10,397	-	-	939,554	949,951
Sixteenth section	653	-	-	44,037	44,690
Facilities acquisition and construction	-	371,045	620,987	-	992,032
Debt service:					
Principal	-	-	-	1,688,461	1,688,461
Interest	-	-	-	171,282	171,282
Other	-	-	-	576	576
<b>Total Expenditures</b>	<b>11,589,583</b>	<b>382,599</b>	<b>850,926</b>	<b>5,302,544</b>	<b>18,125,652</b>
Excess (Deficiency) of Revenues over (under) Expenditures	617,744	(382,599)	(850,926)	(1,807,125)	(2,422,906)
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	22,511	-	-	-	22,511
Payment to refunded bond escrow agent	-	-	-	(106,000)	(106,000)
Operating transfers in	55,055	-	25,000	1,873,489	1,953,544
Other financing sources	-	-	-	106,000	106,000
Operating transfers out	(624,402)	(1,274,087)	-	(55,055)	(1,953,544)
<b>Total Other Financing Sources (Uses)</b>	<b>(546,836)</b>	<b>(1,274,087)</b>	<b>25,000</b>	<b>1,818,434</b>	<b>22,511</b>
Extraordinary items	-	20,592	154,691	-	175,283
<b>Net Change in Fund Balances</b>	<b>70,908</b>	<b>(1,636,094)</b>	<b>(671,235)</b>	<b>11,309</b>	<b>(2,225,112)</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	913,021	1,653,636	671,235	2,196,702	5,434,594
Fund reclassifications	1,174,936	-	-	(1,174,936)	-
Prior period adjustments	19,443	59,487	-	-	78,930
July 1, 2014, as restated	2,107,400	1,713,123	671,235	1,021,766	5,513,524
Increase (Decrease) in reserve for inventory	-	-	-	9,218	9,218
<b>June 30, 2015</b>	<b>\$ 2,178,308</b>	<b>\$ 77,029</b>	<b>\$ -</b>	<b>1,042,293</b>	<b>\$ 3,297,630</b>

The accompanying notes to financial statements are an integral part of these financial statements.

**Webster County School District  
 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, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (2,225,112)

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	\$ 1,094,532	
Depreciation expense	<u>(596,981)</u>	497,551

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 increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (4,435)

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:

Bonds and notes issued	(22,511)	
Payments of debt principal	1,688,461	
Accrued interest payable	<u>43,853</u>	1,709,803

4. The implementation of GASB 68 creates a change in the amount of pension expense that is reported in the statement of activities. A breakdown of these changes is listed below:

Pension contributions for the FYE 6/30/15 are reported as a deferred outflow	1,317,264	
Pension expense calculated during the implementation of GASB 68	<u>(1,122,751)</u>	194,513

5. 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	(34,747)	
Change in compensated absences	(12,688)	
Change in inventory reserve	<u>9,218</u>	(38,217)

**Change in net position of governmental activities** \$ 134,103

The accompanying notes to financial statements are an integral part of these financial statements.

**Webster County School District  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
 June 30, 2015**

**Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 571	\$ 673,848
Due from other governments	-	272
Total Assets	<u>571</u>	<u>\$ 674,120</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 551,083
Due to student clubs	-	123,037
Total Liabilities	<u>-</u>	<u>\$ 674,120</u>
<b>Net Position</b>		
Reserved for endowments	<u>571</u>	
Total Net Position	<u>\$ 571</u>	

The accompanying notes to financial statements are an integral part of these financial statements.

**Webster County School District**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2015**

**Exhibit F**

	<u>Private-Purpose Trust Funds</u>
<b>Additions</b>	
Interest on investments	
Contributions and donations from private sources	\$ 500
Total Additions	<u>500</u>
<b>Deductions</b>	
Scholarships awarded	<u>500</u>
Total Deductions	<u>500</u>
Change in Net Position	<u>-</u>
<b>Net Position</b>	
July 1, 2014	571
June 30, 2015	<u>\$ 571</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**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.

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.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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.

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

EHS Fire Fund - This is the school district's fund that accounts for the insurance proceeds received for the fire damage at Eupora High School.

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:

Justin Cooper Scholarship Fund - This serves as a fiduciary fund for funds given to provide scholarships for secondary education of students graduating from the school district.

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

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

Student Club Funds - These funds account for resources raised through fundraising and other donation efforts for various student clubs.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**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.

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.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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 2012 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, deferred outflows/inflows, 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.

**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.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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 16<sup>th</sup> 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.

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	*	*

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 16 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 16 for further details.

8. 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.

9. Long-term Liabilities and Bond Discounts/Premiums

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

11. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

*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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of total revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 2,175,200 and \$674,419, respectively.

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

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$150,410 and is reported on the statement of net position as restricted assets.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

Investments

As of June 30, 2015, the district had the following investments, which are reported on the statement of net position as restricted assets.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government securities	AAA	10-15	\$ 337,306
Total			<u>\$ 337,306</u>

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, 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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	EWHS Disaster Fund	\$ 290,450
	EHS Fire Fund	26,624
	Other Governmental Funds	142,089
Other Governmental Funds	General Fund	<u>2,082</u>
Total		<u>\$ 461,245</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 to the general fund or fiduciary fund.

**WEBSTER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements**

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	EHS Fire Fund	\$ 25,000
General Fund	Other Governmental Funds	599,402
EWHS Disaster Fund	Other Governmental Funds	1,274,087
Other Governmental Funds	General Fund	55,055
Total		<u>\$ 1,953,544</u>

Transfers in and out were for indirect costs and construction activities

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance \$10,430 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 with fiscal agents and due from local governments balances of \$150,410 and \$154,897, respectively, of the MAEP Limited Obligation Bond Fund. Finally, the restricted assets represent the investment and accrued interest balance, totaling \$337,306 and \$899 of the QSCB Bond Retirement Fund.

**WEBSTER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements**

**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Adjustments*	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 214,048				\$ 214,048
Construction-in-progress	66,697	992,032		(22,369)	1,036,360
Total non-depreciable capital assets	<u>280,745</u>	<u>992,032</u>	<u>-</u>	<u>(22,369)</u>	<u>1,250,408</u>
<u>Depreciable capital assets:</u>					
Buildings	19,848,692			(37,118)	19,811,574
Building improvements	761,304				761,304
Improvements other than buildings	1,192,329				1,192,329
Mobile equipment	2,006,421	88,539	9,500		2,085,460
Furniture and equipment	725,272	13,961	6,500		732,733
Total depreciable capital assets	<u>24,534,018</u>	<u>102,500</u>	<u>16,000</u>	<u>(37,118)</u>	<u>24,583,400</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,367,053	356,818		(742)	4,723,129
Building improvements	106,664	30,452			137,116
Improvements other than buildings	198,984	45,354			244,338
Mobile equipment	1,522,594	94,912	5,130		1,612,376
Furniture and equipment	585,150	69,445	6,435		648,160
Total accumulated depreciation	<u>6,780,445</u>	<u>596,981</u>	<u>11,565</u>	<u>(742)</u>	<u>7,365,119</u>
Total depreciable capital assets, net	<u>17,753,573</u>	<u>(494,481)</u>	<u>4,435</u>	<u>(36,376)</u>	<u>17,218,281</u>
Governmental activities capital assets, net	<u>\$ 18,034,318</u>	<u>\$ 497,551</u>	<u>\$ 4,435</u>	<u>\$ (58,745)</u>	<u>\$ 18,468,689</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 400,522
Support services	157,653
Non-instructional	38,806
Total depreciation expense - Governmental activities	<u>\$ 596,981</u>

\*Adjustments represent a prior period adjustment to write off construction payables. The amount the district paid was settled for a lesser amount than was previously accrued.

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
<b>Governmental Activities:</b>		
EWHS PE Building	\$ 413,148	\$ 50,000
EHS Fire Renovation	623,212	249,500
Total construction in progress	<u>\$ 1,036,360</u>	<u>\$ 299,500</u>

Construction projects included in governmental activities are funded with Insurance proceeds.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Limited obligation bonds payable	1,343,000		280,000	1,063,000	285,000
B. Three mill notes payable	1,350,000		1,350,000	-	-
C. Shortfall notes payable	179,609	22,511	58,461	143,659	67,131
D. Qualified school construction bonds payable	1,500,000			1,500,000	-
E. Compensated absences payable	138,657	16,288	3,600	151,345	-
<b>Total</b>	<b>\$ 4,511,266</b>	<b>\$ 38,799</b>	<b>\$ 1,692,061</b>	<b>\$ 2,858,004</b>	<b>\$ 352,131</b>

**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 Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvements Bonds, Series 2012	1.39%	11/16/2012	2/1/2018	\$ 1,591,000	\$ 1,063,000

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

Limited obligation bond issue of 11/16/2012:

Year Ending June 30	Principal	Interest	Total
2016	\$ 285,000	\$ 14,776	\$ 299,776
2017	290,000	10,814	300,814
2018	488,000	8,132	496,132
<b>Total</b>	<b>\$ 1,063,000</b>	<b>\$ 33,722</b>	<b>\$ 1,096,722</b>

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.

**B. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall, Series 2013	2.39%	10/6/2013	9/6/2016	\$ 179,609	\$ 121,148
2. Revenue Shortfall, Series 2014	3.15%	10/9/2014	10/9/2017	22,511	22,511
<b>Total</b>				<b>\$ 202,120</b>	<b>\$ 143,659</b>

**WEBSTER COUNTY SCHOOL DISTRICT  
Notes to Financial Statements**

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

1. Shortfall notes payable issue of 10/6/2013:

Year Ending June 30	Principal	Interest	Total
2016	\$ 59,859	\$ 2,895	\$ 62,754
2017	61,289	1,465	62,754
<b>Total</b>	<b>\$ 121,148</b>	<b>\$ 4,360</b>	<b>\$ 125,508</b>

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

2. Shortfall notes payable issue of 10/9/2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 7,272	\$ 709	\$ 7,981
2017	7,501	480	7,981
2018	7,738	244	7,982
<b>Total</b>	<b>\$ 22,511</b>	<b>\$ 1,433</b>	<b>\$ 23,944</b>

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 67,131	\$ 3,604	\$ 70,735
2017	68,790	1,945	70,735
2018	7,738	244	7,982
<b>Total</b>	<b>\$ 143,659</b>	<b>\$ 5,793</b>	<b>\$ 149,452</b>

**C. Qualified school construction bonds payable**

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

Description	Rate	Issue Date	Date	Issued	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
<b>Total</b>				<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**D. Compensated absences payable**

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**Note 7 – Other Commitments**

Commitments under construction contracts are described in Note 5.

**Note 8 – Defined Benefit Pension Plan**

**General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* 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, 2015 was 15.75% 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, 2015, 2014 and 2013 were \$1,317,264, \$1,315,275 and \$1,194,103, respectively, which equaled the required contributions for each year.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the school district reported a liability of \$16,629,292 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.137 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,122,751. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 259,412	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,410,538
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	9,692
District contributions subsequent to the measurement date	1,317,264	-
<b>Total</b>	<b>\$ <u>1,576,676</u></b>	<b>\$ <u>2,420,230</u></b>

\$1,317,264 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (512,807)
2017	(512,807)
2018	(532,571)
2019	(602,633)
2020	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
<b>Total</b>	<u>100 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 22,670,683	\$ 16,629,292	\$ 11,589,873

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 9 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2016	\$ 109,636
2017	103,858
2018	90,971
2019	87,984
2020	4,975
2021 - 2025	2,282
2026 - 2030	175
2031 - 2035	175
2036 - 2040	175
2041-2045	140
Total	<u>\$ 400,371</u>

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 10 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71	
Net Pension liability (measurement date)	\$ (18,982,634)
Deferred outflows - contributions made during fiscal year 2014	1,315,275
2. To record adjustment for settlement on cost of capital asset	(58,745)
3. To record adjustment to due from local government for the 2014 shortfall note	22,511
4. Unrecorded prior year receivable	19,443
5. Construction payable accrued in prior year was settled for lesser amount in the current year	59,487
Total	<u>\$ (17,624,663)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	Represents prior year unrecorded receivable	\$ 19,443
EWHS Disaster Fund	Construction payable accrued in the prior year that was settled for lesser amount in the current year	59,487
Total		<u>\$ 78,930</u>

**Note 11 – Fund Reclassification**

A fund reclassification in the amount of \$1,174,936 was needed to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior year, as General Funds for fiscal year ended June 30, 2015.

**Note 12 – 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.

**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.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 13 – 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 77 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 14 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. 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. For the year ended June 30, 2015, the subsidy payments amounted to \$80,510.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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, 2015 was \$337,306. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 106,000
2017	106,000
2018	106,000
2019	106,000
2020	106,000
2021 - 2025	530,000
2026 - 2030	106,000
Total	<u>\$ 1,166,000</u>

**Note 15 - Insurance loss recoveries**

The Webster School District received \$175,283 in insurance loss recoveries related to tornado damage to East Webster High School and fire damage to Eupora High School. This damage occurred during previous fiscal years. In the government-wide Statement of Activities, the insurance loss recoveries were reported as an extraordinary item.

**Note 16 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(15,589,542) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,576,676 balance of the deferred outflow of resources at June 30, 2015 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(15,589,542) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,420,230 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the next 4 years

**Note 17 – 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 an \$8,515,591 gain as an extraordinary item for insurance proceeds received in relation to the tornado damage. During the fiscal year ended June 30, 2013 the district received an additional \$943,612 of insurance proceeds for the loss of property attributable to the April 27, 2011 tornado. During the fiscal year ended June 30, 2014 the district received \$1,814,399 of insurance proceeds for the loss of property attributable to the April 27, 2011 tornado. During the fiscal year ended June 30, 2015 the district received \$20,592 of insurance proceeds for the loss of property attributable to the April 27, 2011 tornado.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

On March 22, 2014 there was a fire at the Eupora High School which caused extensive damage. The building where the fire was located was not destroyed and is still being used by the district. During the fiscal year June 30, 2014 year the district has received \$1,000,000 in insurance proceeds to repair the damage to the Eupora High School building. During the fiscal year ended June 30, 2015 the district received \$154,691 of insurance proceeds for fire damage to the Eupora High School Building.

**Note 18 - 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 March 24, 2016 (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- The board of education adopted a resolution to issue a revenue shortfall note for the 14-15 fiscal year. On September 14, 2015, the district borrowed \$32,560 from the Bank of Kilmichael to be repaid in three annual installments at a 1.99% annual rate of interest

**REQUIRED SUPPLEMENTARY INFORMATION**

**Webster County School District  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,839,974	\$ 3,085,853	\$ 3,083,722	\$ 245,879	\$ (2,131)
State sources	8,816,799	8,764,125	8,794,125	(52,674)	30,000
Federal sources	154,000	161,832	161,832	7,832	-
Sixteenth section sources	-	167,648	167,648	167,648	-
<b>Total Revenues</b>	<b>11,810,773</b>	<b>12,179,458</b>	<b>12,207,327</b>	<b>368,685</b>	<b>27,869</b>
<b>Expenditures:</b>					
Instruction	7,517,378	7,714,855	7,715,291	(197,477)	(436)
Support services	3,824,858	3,924,167	3,863,242	(99,309)	60,925
Noninstructional services	-	10,397	10,397	(10,397)	-
Sixteenth section	-	653	653	(653)	-
Facilities acquisition and construction	-	6,177	-	(6,177)	6,177
<b>Total Expenditures</b>	<b>11,342,236</b>	<b>11,656,249</b>	<b>11,589,583</b>	<b>(314,013)</b>	<b>66,666</b>
Excess (Deficiency) of Revenues over (under) Expenditures	468,537	523,209	617,744	54,672	94,535
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	-	32,540	22,511	32,540	(10,029)
Operating transfers in	1,244,110	1,461,116	55,055	217,006	(1,406,061)
Operating transfers out	(1,705,569)	(1,990,621)	(624,402)	(285,052)	1,366,219
<b>Total Other Financing Sources (Uses)</b>	<b>(461,459)</b>	<b>(496,965)</b>	<b>(546,836)</b>	<b>(35,506)</b>	<b>(49,871)</b>
<b>Net Change in Fund Balances</b>	<b>7,078</b>	<b>26,244</b>	<b>70,908</b>	<b>19,166</b>	<b>44,664</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	824,000	2,087,957	913,021	1,263,957	(1,174,936)
Fund reclassification	-	-	1,174,936	-	1,174,936
Prior period adjustments	-	20,013	19,443	20,013	(570)
July 1, 2014, as restated	824,000	2,107,970	2,107,400	1,283,970	(570)
June 30, 2015	\$ 831,078	\$ 2,134,214	\$ 2,178,308	\$ 1,303,136	\$ 44,094

The accompanying notes to 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, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 510,000	\$ 67,458	\$ -	\$ (442,542)	\$ (67,458)
<b>Total Revenues</b>	<b>510,000</b>	<b>67,458</b>	<b>-</b>	<b>(442,542)</b>	<b>(67,458)</b>
<b>Expenditures:</b>					
Support services	-	11,552	11,554	(11,552)	(2)
Facilities acquisition and construction	510,000	456,047	371,045	53,953	85,002
<b>Total Expenditures</b>	<b>510,000</b>	<b>467,599</b>	<b>382,599</b>	<b>42,401</b>	<b>85,000</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>-</b>	<b>(400,141)</b>	<b>(382,599)</b>	<b>(400,141)</b>	<b>17,542</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out		(1,274,087)	(1,274,087)	(1,274,087)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,274,087)</b>	<b>(1,274,087)</b>	<b>(1,274,087)</b>	<b>-</b>
<b>Extraordinary items</b>		<b>20,592</b>	<b>20,592</b>	<b>20,592</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(1,653,636)</b>	<b>(1,636,094)</b>	<b>(1,653,636)</b>	<b>17,542</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	-	1,653,636	1,653,636	1,653,636	-
Prior period adjustments			59,487	-	59,487
July 1, 2014, as restated	-	1,653,636	1,713,123	1,653,636	59,487
<b>June 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 77,029</b>	<b>\$ -</b>	<b>\$ 77,029</b>

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

**Webster County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**EHS Fire Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	-	-	-	-	-
<b>Expenditures:</b>					
Instruction	143,000	191,702	191,703	(48,702)	(1)
Support services	86,000	105,542	38,236	(19,542)	67,306
Facilities acquisition and construction	700,000	526,316	620,987	173,684	(94,671)
<b>Total Expenditures</b>	929,000	823,560	850,926	105,440	(27,366)
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	(929,000)	(823,560)	(850,926)	105,440	(27,366)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	25,000	-	25,000
<b>Total Other Financing Sources (Uses)</b>	-	-	25,000	-	25,000
<b>Extraordinary items</b>		444,388	154,691	444,388	(289,697)
<b>Net Change in Fund Balances</b>	(929,000)	(379,172)	(671,235)	549,828	(292,063)
<b>Fund Balances:</b>					
July 1, 2014,	929,000	671,235	671,235	(257,765)	-
June 30, 2015	\$ -	\$ 292,063	\$ -	\$ 292,063	\$ (292,063)

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

**Webster County School District  
 Required Supplementary Information  
 Schedule Of The District's Proportionate Share Of The Net Pension Liability  
 PERS  
 Last 10 Fiscal Years\***

	<u>2015</u>
District's proportion of the net pension liability	\$ 16,629,292
District's proportionate share of the net pension liability (asset)	0.137%
District's covered-employee payroll	\$ 8,350,954
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	199.13%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

The schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**Webster County School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 PERS  
 Last 10 Fiscal Years**

	<u>2015</u>
Contractually required contribution	\$ 1,317,264
Contribution in relation to the contractually required contribution	1,317,264
Contribution deficiency (excess)	<u><u>-</u></u>
District's covered-employee payroll	8,363,586
Contributions as a percentage of covered-employee payroll	15.75%

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

The schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**

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.

Pension Schedules

(1) Changes of benefit terms

There were no changes of benefit terms for the FYE 6/30/2015.

(2) Changes of assumptions

There were no changes of assumptions for the FYE 6/30/2015.

**SUPPLEMENTARY INFORMATION**

**Webster County School District  
 Supplementary Information  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 164,816
National school lunch program	10.555	584,125
Total child nutrition cluster		<u>748,941</u>
Total passed-through Mississippi Department of Education		<u>748,941</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>748,941</u></u>
<b><u>Appalachian Regional Commission</u></b>		
Direct Program:		
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	25,000
<b>Total Appalachian Regional Commission</b>		<u>25,000</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	100,499
<b>Total Federal Communications Commission</b>		<u>100,499</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	452,630
Career and technical education - basic grants to states	84.048	14,812
Rural education	84.358	34,661
Improving teacher quality-State Grants	84.367	132,829
Subtotal		<u>634,932</u>
Special education cluster:		
Special education - grants to states	84.027	486,094
Special education - preschool grants	84.173	13,639
Total special education cluster		<u>499,733</u>
Total passed-through Mississippi Department of Education		<u>1,134,665</u>
<b>Total U.S. Department of Education</b>		<u>1,134,665</u>
<b>Total for All Federal Awards</b>		<u><u>\$ 2,009,105</u></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**  
**Supplemental Information**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2015**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,461,028	8,841,595	575,204	820,236	1,223,993
Other	6,664,624	1,481,480	193,153	28,877	4,961,114
Total	<u>\$ 18,125,652</u>	<u>10,323,075</u>	<u>768,357</u>	<u>849,113</u>	<u>6,185,107</u>
Total number of students *	<u>1,875</u>				
Cost per student	<u>\$ 9,668</u>	<u>5,506</u>	<u>410</u>	<u>453</u>	<u>3,299</u>

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

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

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**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,083,722	\$ 2,954,607	\$ 2,705,373	\$ 2,740,240
State sources	8,794,125	7,738,086	7,444,032	7,335,440
Federal sources	161,832	158,330	168,160	166,150
Sixteenth section sources	167,648	-	-	-
<b>Total Revenues</b>	<b>12,207,327</b>	<b>10,851,023</b>	<b>10,317,565</b>	<b>10,241,830</b>
<b>Expenditures:</b>				
Instruction	7,715,291	7,491,800	7,337,997	7,009,060
Support services	3,863,242	3,622,703	3,699,521	3,467,220
Noninstructional services	10,397	6,453	6,787	6,053
Sixteenth section	653	-	-	-
Facilities acquisition and construction	-	61,389	27,244	93,294
<b>Total Expenditures</b>	<b>11,589,583</b>	<b>11,182,345</b>	<b>11,071,549</b>	<b>10,575,627</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>617,744</b>	<b>(331,322)</b>	<b>(753,984)</b>	<b>(333,797)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	22,511	179,609	-	-
Insurance recovery	-	-	7,553	-
Operating transfers in	55,055	1,000,746	167,970	46,886
Operating transfers out	(624,402)	(615,585)	(187,818)	(105,577)
Other financing uses	-	-	(167,475)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(546,836)</b>	<b>564,770</b>	<b>(179,770)</b>	<b>(58,691)</b>
<b>Net Change in Fund Balances</b>	<b>70,908</b>	<b>233,448</b>	<b>(933,754)</b>	<b>(392,488)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	913,021	679,573	1,613,327	2,005,815
Prior period adjustments	19,443	-	-	-
Fund balance reclassifications	1,174,936	-	-	-
Beginning of period, as restated	<b>2,107,400</b>	<b>679,573</b>	<b>1,613,327</b>	<b>2,005,815</b>
<b>End of Period</b>	<b>\$ 2,178,308</b>	<b>\$ 913,021</b>	<b>\$ 679,573</b>	<b>\$ 1,613,327</b>

\*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**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,378,485	\$ 3,242,265	\$ 3,019,903	\$ 3,024,334
State sources	10,018,828	9,043,269	9,478,910	8,828,358
Federal sources	2,128,400	3,472,330	2,644,751	4,780,924
Sixteenth section sources	177,033	169,149	303,314	453,721
<b>Total Revenues</b>	<b>15,702,746</b>	<b>15,927,013</b>	<b>15,446,878</b>	<b>17,087,337</b>
<b>Expenditures:</b>				
Instruction	9,407,279	9,155,192	9,091,094	9,105,575
Support services	4,871,381	5,209,352	5,167,053	8,711,260
Noninstructional services	949,951	910,582	893,950	884,253
Sixteenth section	44,690	26,344	32,289	75,053
Facilities acquisition and construction	992,032	3,828,392	6,200,384	1,176,252
Debt service:				
Principal	1,688,461	482,200	411,322	428,360
Interest	171,282	116,370	152,752	165,015
Other	576	500	20,745	1,500
<b>Total Expenditures</b>	<b>18,125,652</b>	<b>19,728,932</b>	<b>21,969,589</b>	<b>20,547,268</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(2,422,906)</b>	<b>(3,801,919)</b>	<b>(6,522,711)</b>	<b>(3,459,931)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	22,511	1,529,609	-	-
Insurance recovery	-	-	7,553	-
Refunding bonds issued	-	-	1,591,000	-
Payment to escrow agent	-	-	(1,555,000)	-
Payment to refunded bond escrow agent	(106,000)	(106,000)	(106,000)	(16,000)
Operating transfers in	1,953,544	1,616,331	462,288	168,963
Other financing sources	106,000	106,000	106,000	16,000
Operating transfers out	(1,953,544)	(1,616,331)	(462,288)	(168,963)
Other financing uses	-	(351)	(167,475)	-
<b>Total Other Financing Sources (Uses)</b>	<b>22,511</b>	<b>1,529,258</b>	<b>(123,922)</b>	<b>-</b>
<b>Extraordinary items</b>	<b>175,283</b>	<b>2,814,399</b>	<b>943,612</b>	<b>8,515,591</b>
<b>Net Change in Fund Balances</b>	<b>(2,225,112)</b>	<b>541,738</b>	<b>(5,703,021)</b>	<b>5,055,660</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	5,434,594	4,899,095	10,604,619	5,544,030
Prior period adjustments	78,930	-	-	-
Beginning of period, as restated	5,513,524	4,899,095	10,604,619	5,544,030
<b>Increase (Decrease) in reserve for inventory</b>	<b>9,218</b>	<b>(6,239)</b>	<b>(2,503)</b>	<b>4,929</b>
<b>End of Period</b>	<b>\$ 3,297,630</b>	<b>\$ 5,434,594</b>	<b>\$ 4,899,095</b>	<b>\$ 10,604,619</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lammus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Staggars, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' 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**

To the 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, 2015, and the related notes to financial statements, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated March 24, 2016.

**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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiencies (**Finding 2015-1, Finding 2015-2, Finding 2015-3 and Finding 2015-4**).

**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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Webster County School District's responses were 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  
March 24, 2016

*Watkins Ward and Stafford, PLLC*



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the 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, 2015. Webster County School District's major federal programs are identified in the summary of auditors' 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.

**Auditors' 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, 2015.

**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, material weaknesses may exist that have not been identified.

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  
March 24, 2016

*Watkins Ward and Stafford, PLLC*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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**INDEPENDENT AUDITORS' 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, 2015, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated March 24, 2016. 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 no classroom supply funds carried over from previous years.

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

The results of 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 instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. PERS Employees Form 4B Should Be Filed Within 5 Days of Reemployment and Their Earnings Should Be Limited To The Amount on The Form 4B

Finding

Section 25-11-127, Miss Code Ann. (1972) requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

During our testing of PERS retirees we noted that one (1) PERS retiree that was hired by district did not file his form 4B within five days of reemployment. We also noted one (1) PERS retiree that was hired by the district earned more than the amount allowed on the Form 4B.

Recommendation

We recommend the district comply with Section 25-11-127, Miss Code Ann. (1972) which requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

School District's Response

We will comply with Section 25-11-127, Miss Code Ann. (1972) which requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

2. Transfers From The Sixteenth Section Interest Fund Should Be Approved By The Board

Finding

Section 29-3-117, Miss Code Ann. (1972) requires the District to obtain the approval of the Board of Education for any transfers from the Sixteenth Section Interest Fund.

During our testing of compliance with state regulations over the District's management of Sixteenth Section Lands we noted the District did not obtain board approval for a \$120,000 transfer into the District Maintenance Fund for the purchase of school buses.

Recommendation

We recommend the district comply with Section 29-3-117, Miss Code Ann. (1972) and obtain the approval of the Board of Education for any transfers from the Sixteenth Section Interest Fund.

School District's Response

We will comply with Section 29-3-117, Miss Code Ann. (1972) and obtain the approval of the Board of Education for any transfers from the Sixteenth Section Interest Fund. We have retroactively approved the \$120,000 transfer made in the 14-15 fiscal year.

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

The Webster County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 24, 2016

*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, 2015**

Section I: Summary of Auditors' Results

Financial Statements:

- |  |            |
|--|------------|
| 1. Type of auditors' report issued:                      | Unmodified |
| 2. Internal control over financial reporting:            |            |
| a. Material weakness(es) identified?                     | No         |
| b. Significant deficiency(ies) identified?               | Yes        |
| 3. Noncompliance material to financial statements noted? | No         |

Federal Awards:

- |  |               |
|--|---------------|
| 4. Internal control over major programs:   |               |
| a. Material weakness(es) identified?       | No            |
| b. Significant deficiency(ies) identified? | None reported |

- |  |            |
|--|------------|
| 5. Type of auditors' 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) | No         |

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

- |   |           |
|---|-----------|
| 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        |

## Section II: Financial Statement Findings

### **Significant Deficiencies Not Considered To Be A Material Weakness**

#### **Finding 2015-1. Controls over payroll expenditures should be strengthened:**

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following:

- District personnel could not locate a signed employee federal and/or state withholding forms in 5 instances.
- Timekeeping records that corresponded with the amount an employee was paid that was approved by appropriate supervisory personnel could not be located for 4 employee checks.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation and payroll records were not reconciled to the general ledger in a timely manner.

Payment of wages without adequate records could result in employees being improperly compensated. In addition, untimely reconciliation of payroll liabilities to the general ledger could result in inaccurate reporting of the financial statements.

#### **Recommendation:**

We recommend the district maintain adequate records for all personnel to support expenditures prior to payment.

#### **School District's Response**

The district will strengthen its internal controls over the payroll function. Signed W4 and state withholding forms will be completed by all employees and time keeping records will be reviewed to insure proper approval by applicable supervisory personnel and that the records reconcile to the amounts actually paid to the employee.

### **Significant Deficiencies Not Considered To Be A Material Weakness**

#### **Finding 2015-2. Controls over accounts payable expenditures should be strengthened:**

Per our testing of general disbursements we noted the following control deficiencies:

- We noted 28 occasions where a purchase order was not signed by the superintendent of education to document approval of the applicable transaction.
- We noted 15 occasions where there was inadequate receiving documentation for goods and services.

Lack of adequate internal controls surrounding the approval of expenditures and over general disbursements could result in expenditures being made that were not properly authorized and misappropriation of public funds.

#### **Recommendation:**

We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized and only paid after sufficient documentation has been received that ensures that the goods and services have actually been received by the school district.

### **School District's Response**

The district will strengthen its internal controls over the accounts payable function. Before any expenditure is paid the supporting documentation for the transaction will be reviewed to insure that a properly approved purchase order was prepared before the actual purchase and there is adequate documentation noting that the applicable goods or services were actually received.

### **Significant Deficiencies Not Considered To Be A Material Weakness**

#### **Finding 2015-3. Controls over activity fund expenditures should be strengthened:**

Per our testing of disbursement over activity funds we noted the following control deficiency:

- We noted 5 occasions where there was inadequate receiving documentation for goods and services.

Lack of adequate internal controls surrounding the approval of expenditures and over general disbursements could result in expenditures being made that were not properly authorized and misappropriation of public funds.

### **Recommendation**

We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized and only paid after sufficient documentation has been received that ensures that the goods and services have actually been received by the school district.

### **School District's Response**

Administrative personnel at each school will be instructed to review all supporting documentation for all purchases to insure that adequate receiving documentation has been received that insures that the applicable goods and services have actually been received.

### **Significant Deficiencies Not Considered To Be A Material Weakness**

#### **Finding 2015-4. Controls over activity fund receipts should be strengthened:**

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

#### **Eupora High School**

- We noted that receipts are not being deposited within one business day on a consistent basis. We tested the month of October 2014 and noted that almost all of the receipts were deposited late. All were deposited intact however most were deposited at least one day late.
- We also noted that athletic event gate change is not being redeposited with the gate receipts and there is no general ledger accounting to set aside these amounts as petty cash so that central office personnel can track these funds to ensure that all gate receipts and petty cash are being properly accounted for.

#### **East Webster High School**

- We also noted that athletic event gate change is not being redeposited with the gate receipts and there is no general ledger accounting to set aside these amounts as petty cash so that central office personnel can track these funds to ensure that all gate receipts and petty cash are being properly accounted for.

Proper internal controls were not in place to ensure deposits were made timely, revenue was coded to proper accounts 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 school event form contain the correct information regarding beginning and ending ticket numbers for the applicable event, tickets are issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

**School District's Response**

Administrative personnel at both high schools will be instructed to deposit all funds received in the applicable principal's office within one business day. We will also review our tracking of cash held for athletic events to insure there is proper accounting of these funds.

**Section III: Federal Award Findings and Questioned Costs**

The results of our tests did not disclose any findings or questioned costs related to federal awards.

**SUMMARY OF PRIOR AUDIT FINDINGS**

# Webster County Schools

PHONE 662-258-5921 EXT 19 – FAX 662-258-3134

95 CLARK AVENUE – EUPORA, MS 39744

## SUMMARY OF PRIOR YEAR AUDIT FINDINGS

### Financial and Compliance Audit Division

As required by Section \_\_\_\_\_.315(b) of OMB Circular A-133, Webster County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2015:

<u>Finding</u>	<u>Status</u>
2014-1	Corrected

Sincerely,

Jack Treloar, Superintendent