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Webster County School District
Audited Financial Statements
June 30, 2010

Fortenberry & Ballard, PC
Certified Public Accountants

**Webster County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Webster County School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011, on our consideration of the Webster County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292, Fax (601) 992-2033

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 27, 2011

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$1,578, which stayed about the same from fiscal year 2009.
- General revenues amounted to \$11,040,303 and \$11,078,231, or 77% and 77% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,363,956, or 23% of total revenues for 2010, and \$3,374,624, or 23% of total revenues for 2009.
- The District had \$14,402,681 and \$14,665,526 in expenses for fiscal years 2010 and 2009; only \$3,363,956 for 2010 and \$3,374,624 for 2009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$11,040,303 for 2010 were adequate to provide for these programs. However, \$11,078,231 for 2009 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$10,373,306 in revenues and \$10,009,371 in expenditures for 2010, and \$10,993,625 in revenues and \$10,710,588 in expenditures in 2009. The General Fund's fund balance increased by \$719,619 from 2009 to 2010, and decreased by \$314,634 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, decreased by \$272,927 for 2010 and increased by \$375,801 for 2009. The decrease for 2010 was due to the recording of depreciation expense.
- Long-term debt decreased by \$32,486 for 2010 and decreased by \$195,634 for 2009. This decrease was due primarily to principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$4,991 and increased by \$23,987 for 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term

impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

The District adopts an annual operating budget for all governmental funds. Budgetary comparison schedules have been provided for the General Fund and each additional special revenue major fund.

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

Also, included in the other supplemental information section are the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$8,330,798 as of June 30, 2010.

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

Table 1 presents a summary of the District's net assets at June 30, 2010 and June 30, 2009.

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Current assets	\$ 3,300,970	2,952,233	12%
Restricted assets	11,291	11,262	0%
Capital assets, net	<u>8,361,059</u>	<u>8,633,986</u>	(3)%
Total assets	<u>11,673,320</u>	<u>11,597,481</u>	1%
Current liabilities	318,847	217,091	47%
Long-term debt outstanding	<u>3,023,675</u>	<u>3,051,170</u>	(1)%
Total liabilities	<u>3,342,522</u>	<u>3,268,261</u>	2%
Net assets:			
Invested in capital assets, net of related debt	5,733,159	5,857,786	(2)%
Restricted	1,638,252	2,110,861	(22)%
Unrestricted	<u>959,387</u>	<u>360,573</u>	166%
Total net assets	<u>\$ 8,330,798</u>	<u>8,329,220</u>	0%

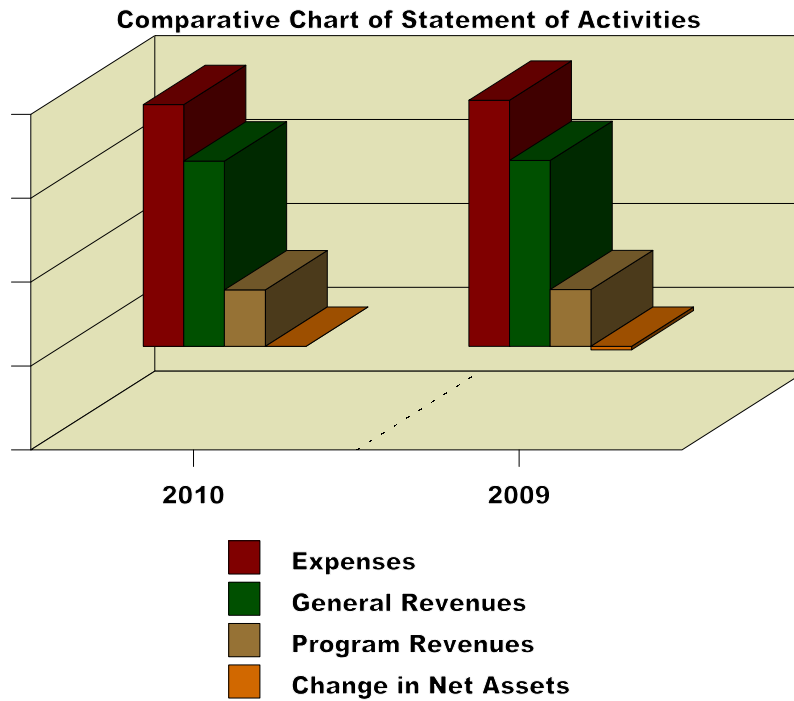
The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- The decrease in net capital assets in the amount of \$272,927.
- The principal retirement of \$221,532 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$14,404,259 and \$14,452,855, respectively. The total cost of all programs and services was \$14,402,681 for 2010 and \$14,665,526 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 847,216	793,689	7%
Operating grants and contributions	2,469,726	2,580,935	(4)%
Capital grants and contributions	<u>47,014</u>		
Total program revenues	<u>3,363,956</u>	<u>3,374,624</u>	0%
General revenues:			
Property taxes	2,046,450	1,815,013	13%
Grants and contributions not restricted	8,545,100	8,820,180	(3)%
Unrestricted investment earnings	13,131	87,415	(85)%
Sixteenth section sources	341,195	144,486	136%
Other	<u>94,427</u>	<u>211,137</u>	(55)%
Total general revenues	<u>11,040,303</u>	<u>11,078,231</u>	0%
Total revenues	<u>14,404,259</u>	<u>14,452,855</u>	0%
Expenses:			
Instruction	8,833,831	8,801,010	0%
Support services	4,532,600	4,780,845	(5)%
Non-instructional	892,741	908,818	(2)%
Sixteenth section	33,798	55,317	(39)%
Interest on long-term debt	<u>109,711</u>	<u>119,536</u>	(8)%
Total expenses	<u>14,402,681</u>	<u>14,665,526</u>	(2)%
Increase (Decrease) in net assets	<u>1,578</u>	<u>(212,671)</u>	101%
Net Assets, July 1	<u>8,329,220</u>	<u>8,541,891</u>	(2)%
Net Assets, June 30	<u><u>\$ 8,330,798</u></u>	<u><u>8,329,220</u></u>	0%



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

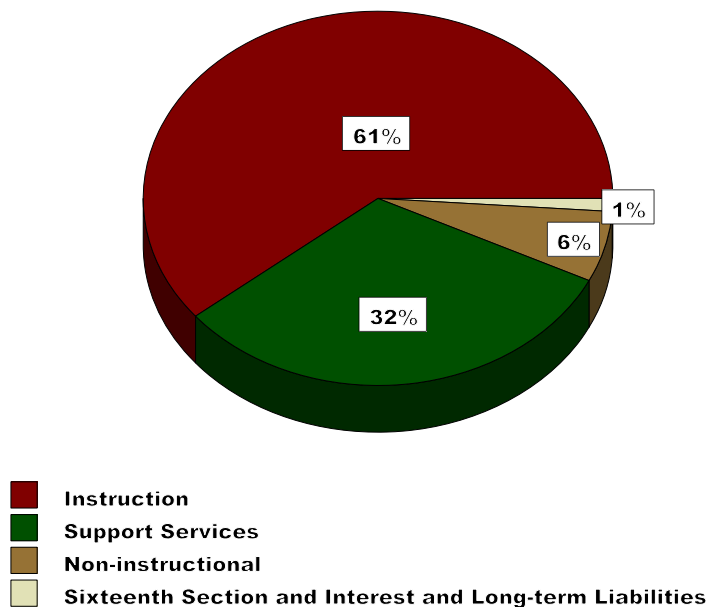
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		
	2010	2009	Percentage Change
Instruction	\$ 8,833,831	8,801,010	0%
Support services	4,532,600	4,780,845	(5)%
Non-instructional	892,741	908,818	(2)%
Sixteenth section	33,798	55,317	(39)%
Interest on long-term liabilities	109,711	119,536	(8)%
Total expenses	\$ 14,402,681	14,665,526	(2)%

Net (Expense) Revenue

		2010	2009	Percentage Change
Instruction	\$	(7,050,537)	(6,886,681)	2%
Support services		(3,929,407)	(4,254,277)	(8)%
Non-instructional		39,068	12,240	219%
Sixteenth section		11,862	(42,648)	(128)%
Interest on long-term liabilities		(109,711)	(119,536)	(8)%
Total net (expense) revenue	\$	<u>(11,038,725)</u>	<u>(11,290,902)</u>	(2)%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$11,038,725 for 2010 and \$11,290,902 for 2009) was financed by general revenue, which is primarily made up of property taxes (\$2,046,450 for 2010 and \$1,815,013 for 2009) and state and federal revenues (\$8,545,100 for 2010 and \$8,820,180 for 2009). In addition, there was \$341,195 and \$144,486 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$13,131 for 2010 and \$87,415 for 2009.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,048,964, an increase of \$248,504, which includes a decrease in inventory of \$5,708. \$2,066,495, or 68% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$982,469 or 32% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$719,619. The fund balance of Other Governmental Funds showed a decrease in the amount of \$5,734, which includes the decrease in reserve for inventory of \$5,708 to reflect the actual inventory for the current fiscal year. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
Title I ARRA Fund	no increase or decrease
Forestry Escrow Fund	\$ 14,237
Sixteenth Section Interest Fund	\$ (479,618)

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. Beginning fund balance was adjusted to actual between the original and final budgets.

- Budgeted amounts from local and federal revenue sources in the General Fund were increased to accurately reflect the actual amount of revenues received during the fiscal year. Amounts originally budgeted were understated.
- The budgeted amount from federal revenue sources in the Title I Fund was decreased to accurately reflect the actual amount of revenues received during the fiscal year. The amount originally budgeted was overstated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$13,625,835, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$9,565 from 2009. Total accumulated depreciation as of June 30, 2010 was \$5,264,776 and total depreciation expense for the year was \$370,356, resulting in total net capital assets of \$8,361,059.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 124,048	104,048	19%
Buildings	6,811,553	6,999,990	(3)%
Building improvements	200,898	209,633	(4)%
Improvements other than buildings	319,997	334,537	(4)%
Mobile equipment	697,705	803,268	(13)%
Furniture and equipment	206,858	182,510	13%
Total	\$ <u>8,361,059</u>	<u>8,633,986</u>	(3)%

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

Debt Administration. At June 30, 2010, the District had \$3,023,675 in outstanding long-term debt, of which \$404,934 is due within one year. The liability for compensated absences increased \$4,991 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,265,000	2,360,000	(4)%
Three mill notes payable	362,900	416,200	(13)%
Shortfall notes payable	278,787	164,393	70%
Obligations under capital leases	1,420		
Compensated absences payable	115,568	110,577	5%
Total	\$ <u>3,023,675</u>	<u>3,051,170</u>	(1)%

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

CURRENT ISSUES AND OTHER INFORMATION

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.

Enrollment for the 2009-2010 year increased by 15% to 1,938 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, 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 Assets

June 30, 2010

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,566,031
Cash with fiscal agents	122,021
Due from other governments	573,946
Accrued interest receivable	52
Other receivables, net	1,449
Inventories	37,471
Restricted assets	11,291
Capital assets, non-depreciable:	
Land	124,048
Capital assets, net of accumulated depreciation:	
Buildings	6,811,553
Building improvements	200,898
Improvements other than buildings	319,997
Mobile equipment	697,705
Furniture and equipment	206,858
Total Assets	<u>11,673,320</u>
Liabilities	
Accounts payable and accrued liabilities	263,297
Interest payable on long-term liabilities	55,550
Long-term liabilities, due within one year	
Capital related liabilities	283,200
Non-capital related liabilities	121,734
Long-term liabilities, due beyond one year	
Capital related liabilities	2,344,700
Non-capital related liabilities	274,041
Total Liabilities	<u>3,342,522</u>
Net Assets	
Invested in capital assets, net of related debt	5,733,159
Restricted net assets:	
Expendable:	
School-based activities	748,804
Debt service	434,867
Forestry improvements	402,708
Unemployment benefits	40,578
Sixteenth section	20
Non-expendable:	
Sixteenth section	10,226
Other	1,049
Unrestricted	959,387
Total Net Assets	<u>\$ 8,330,798</u>

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

Webster County School District
Statement of Activities
For the Year Ended June 30, 2010

Exhibit B

					Net (Expense)
					Revenue and
					Changes in Net Assets

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

Webster County School District
Exhibit C

Balance Sheet - Governmental Funds

June 30, 2010

	Major Funds						
	General	Title I	Title I	Forestry	Sixteenth	Other	Total
	Fund	Fund	ARRA	Escrow	Section Interest	Governmental	Governmental
	Fund	Fund	Fund	Fund	Fund	Funds	Funds
Assets							
Cash and cash equivalents	\$ 1,186,097			402,708	683,671	304,846	2,577,322
Cash with fiscal agents						122,021	122,021
Due from other governments	159,350	52,293	128,096			234,207	573,946
Accrued interest receivable						52	52
Other receivables, net	1,304					126	1,430
Due from other funds	88,516					4,495	93,011
Inventories						37,471	37,471
Total Assets	\$ 1,435,267	52,293	128,096	402,708	683,671	703,218	3,405,253
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 75,610	2,171	128,096		13,080	44,340	263,297
Due to other funds	4,495	50,122				38,375	92,992
Total Liabilities	80,105	52,293	128,096	0	13,080	82,715	356,289
Fund Balances:							
Reserved for:							
Inventory						37,471	37,471
Debt service						490,417	490,417
Unemployment benefits						40,578	40,578
Forestry improvement purposes				402,708			402,708
Permanent fund purposes						11,295	11,295
Undesignated, reported in:							
General Fund	1,355,162						1,355,162
Special Revenue Funds					670,591	40,742	711,333
Total Fund Balances	1,355,162	0	0	402,708	670,591	620,503	3,048,964
Total Liabilities and Fund Balances	\$ 1,435,267	52,293	128,096	402,708	683,671	703,218	3,405,253

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

Webster County School DistrictExhibit C-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,048,964
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,264,776.	8,361,059
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,023,675)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(55,550)
Total Net Assets - Governmental Activities	\$ <u><u>8,330,798</u></u>

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

Webster County School District
Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2010

	Major Funds						
	General	Title I	Title I	Forestry	Sixteenth	Other	Total
	Fund	Fund	ARRA	Escrow	Section Interest	Governmental	Governmental
	Fund	Fund	Fund	Fund	Fund	Funds	Funds
Revenues:							
Local sources	\$ 2,654,372					294,610	2,948,982
State sources	7,612,019					684,472	8,296,491
Federal sources	106,915	497,680	207,425			1,953,329	2,765,349
Sixteenth section sources				47,455	345,962	20	393,437
Total Revenues	10,373,306	497,680	207,425	47,455	345,962	2,932,431	14,404,259
Expenditures:							
Instruction	6,525,179	336,091	190,625			1,749,476	8,801,371
Support services	3,474,281	150,013	16,800			659,206	4,300,300
Noninstructional services	6,391	5,529				864,888	876,808
Sixteenth section				33,218	580		33,798
Debt service:							
Principal	2,840					218,692	221,532
Interest	680					106,537	107,217
Other						1,000	1,000
Total Expenditures	10,009,371	491,633	207,425	33,218	580	3,599,799	14,342,026
Excess (Deficiency) of Revenues over							
(under) Expenditures	363,935	6,047	0	14,237	345,382	(667,368)	62,233
Other Financing Sources (Uses):							
Proceeds of loans	184,786						184,786
Inception of capital leases	4,260						4,260
Sale of transportation equipment	2,933						2,933
Operating transfers in	1,034,476					870,771	1,905,247
Operating transfers out	(870,771)	(6,047)			(825,000)	(203,429)	(1,905,247)
Total Other Financing Sources (Uses)	355,684	(6,047)	0	0	(825,000)	667,342	191,979
Net Change in Fund Balances	719,619	0	0	14,237	(479,618)	(26)	254,212
Fund Balances:							
July 1, 2009	635,543			388,471	1,150,209	626,237	2,800,460
Increase (Decrease) in reserve for inventory						(5,708)	(5,708)
June 30, 2010	\$ 1,355,162	0	0	402,708	670,591	620,503	3,048,964

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

Webster County School DistrictExhibit D-1

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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 254,212
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$107,191 and the depreciation expense amounted to \$370,356.	(263,165)
2. Proceeds of debt incurred during the fiscal year is recorded as revenue in the governmental funds but has no effect on net assets.	(189,046)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment has no effect on net assets.	221,532
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(1,494)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(9,762)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased (increased) in the Statement of Activities.	(5,708)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(4,991)
Change in Net Assets of Governmental Activities	\$ <u><u>1,578</u></u>

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

Webster County School District
Statement of Fiduciary Net Assets
June 30, 2010

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,071	562,282
Other receivables, net		400
Total Assets	\$ 1,071	562,682
Liabilities		
Accounts payable and accrued liabilities		456,362
Due to other funds		19
Due to student club		106,301
Total Liabilities	\$ 0	562,682
Net Assets		
Reserved for endowment	\$ 1,071	
Total Net Assets	\$ 1,071	

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

Webster County School District
Statement of Changes in Fiduciary Net Assets
For The Year Ended June 30, 2010

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 3
Contributions and donations from private sources	500
	<hr/>
Total Additions	503
	<hr/>
Deductions	
Scholarships awarded	500
	<hr/>
Total Deductions	500
	<hr/>
Change in Net Assets	3
	<hr/>
Net Assets	
July 1, 2009	1,068
June 30, 2010	\$ <u>1,071</u>

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

Notes to the Financial Statements

For the year ended
June 30, 2010

Webster County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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. Basis of Presentation

Government-wide Financial Statements:

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

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

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Title I Fund - This is the school district's fund that operates the Title I grants to local education agencies passed through the Mississippi Department of Education.

Title I ARRA Fund - This is the school district's fund that accounts for the monies received from the Recovery Act and serves to fund remedial math

Webster County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

and reading services to low-income, program eligible students.

Forestry Escrow Fund - This is the school district's fund that accounts for the funds derived from sixteenth section funds that are restricted for forest improvement purposes.

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

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 assets and changes in net assets.

The District's fiduciary funds include five (5) Agency Funds, and one (1) Private Purpose Trust Funds.

GOVERNMENTAL FUND TYPES

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under 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.

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

C. Measurement Focus and Basis of Accounting

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

reported as other financing sources.

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

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

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

D. Account Classifications

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

E. Encumbrances

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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 Sections 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

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

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

7. Compensated Absences

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

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

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

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

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

9. Fund Equity

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

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

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

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

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

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

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

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

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

(2) Cash and Cash Equivalents and Cash with Fiscal Agents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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.

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 \$2,577,322 and \$563,353, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$2,566,031. Of this amount, \$11,291 is shown as restricted assets on Exhibit A. The bank balance was \$3,140,678.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, none of the district's bank balance of \$3,140,678 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$122,021.

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 50,122
	Other Governmental Funds	38,375
	Fiduciary Fund	19
Other Governmental Funds	General Fund	4,495
Total		\$ <u>93,011</u>

Inter-fund loans exist primarily to avoid a deficit cash balance in federal funds. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

Transfer In	Transfer Out	Amount
General Fund	Title I Fund	\$ 6,047
	Sixteenth Section Interest Fund	825,000
	Other Governmental Funds	203,429
Other Governmental Funds	General Fund	870,771
Total		\$ <u>1,905,247</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

(4) Restricted Assets

The restricted assets represent the cash balance, totaling \$11,291, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts' programs.

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

(5) Capital Assets

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

	Balance 7-1-2009	Additions	Retirements	Balance 6-30-2010
<u>Non-depreciable capital assets:</u>				
Land	\$ 104,048	20,000		124,048
Total non-depreciable capital assets	<u>104,048</u>	<u>20,000</u>	<u>0</u>	<u>124,048</u>
<u>Depreciable capital assets:</u>				
Buildings	10,464,615			10,464,615
Building improvements	218,367			218,367
Improvements other than buildings	488,734			488,734
Mobile equipment	1,988,592	8,300	97,626	1,899,266
Furniture and equipment	351,914	78,891		430,805
Total depreciable capital assets	<u>13,512,222</u>	<u>87,191</u>	<u>97,626</u>	<u>13,501,787</u>
<u>Less accumulated depreciation for:</u>				
Buildings	3,464,626	188,436		3,653,062
Building improvements	8,734	8,735		17,469
Improvements other than buildings	154,196	14,541		168,737
Mobile equipment	1,185,324	104,101	87,864	1,201,561
Furniture and equipment	169,404	54,543		223,947
Total accumulated depreciation	<u>4,982,284</u>	<u>370,356</u>	<u>87,864</u>	<u>5,264,776</u>
Total depreciable capital assets, net	<u>8,529,938</u>	<u>(283,165)</u>	<u>9,762</u>	<u>8,237,011</u>
Governmental activities capital assets, net	\$ <u>8,633,986</u>	<u>(263,165)</u>	<u>9,762</u>	<u>8,361,059</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 36,013
Support services	324,823
Non-instructional	9,520
Total depreciation expense	<u>\$ 370,356</u>

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

(6) Long-term Liabilities

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

	Balance 7-1-2009	Additions	Reductions	Balance 6-30-2010	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,360,000		95,000	2,265,000	228,000
B. Three mill notes payable	416,200		53,300	362,900	55,200
C. Shortfall notes payable	164,393	184,786	70,392	278,787	120,314
D. Obligations under capital leases	0	4,260	2,840	1,420	1,420
E. Compensated absences payable	110,577	4,991		115,568	
Total	\$ <u>3,051,170</u>	<u>194,037</u>	<u>221,532</u>	<u>3,023,675</u>	<u>404,934</u>

A. Limited Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Series 2008	4.4 -4.7%	02-07-08	02-01-18	\$ <u>2,360,000</u>	<u>2,265,000</u>
Total				\$ <u>2,360,000</u>	<u>2,265,000</u>

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 228,000	76,361	304,361
2012	237,000	68,107	305,107
2013	245,000	59,551	304,551
2014	254,000	50,694	304,694
2015	263,000	41,517	304,517
2016 - 2018	<u>1,038,000</u>	<u>66,208</u>	<u>1,104,208</u>
Total	\$ <u>2,265,000</u>	<u>362,438</u>	<u>2,627,438</u>

This debt will be retired from the MAEP Debt Service Fund.

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

B. Three Mill Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Hancock Bank, Series 2005	3.66%	08-04-05	08-04-15	\$ 565,000	362,900
Total				<u>\$ 565,000</u>	<u>362,900</u>

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 55,200	13,282	68,482
2012	57,200	11,262	68,462
2013	59,300	9,168	68,468
2014	61,500	5,998	67,498
2015	63,700	4,747	68,447
2016	66,000	2,416	68,416
Total	<u>\$ 362,900</u>	<u>46,873</u>	<u>409,773</u>

This debt will be retired from the 3 Mill 10 Year (04) Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall tax note, Series 2006	5.81%	09-20-06	09-20-09	\$ 34,840	0
Shortfall tax note, Series 2007	6.65%	08-30-07	08-30-10	85,792	30,457
Shortfall tax note, Series 2008	4.91%	09-15-08	09-15-11	93,103	63,544
Shortfall tax note, Series 2009	4.60%	08-21-09	08-21-12	184,786	184,786
Total				<u>\$ 398,521</u>	<u>278,787</u>

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

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

1. Shortfall tax note, Series 2006:

This debt was retired from the Shortfall Notes Retirement Fund.

2. Shortfall tax note, Series 2007:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	30,457	2,025	32,482
Total	\$	<u>30,457</u>	<u>2,025</u>	<u>32,482</u>

This debt will be retired from the Shortfall Notes Retirement Fund.

3. Shortfall tax note, Series 2008:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	31,010	3,120	34,130
2012		32,534	1,597	34,131
Total	\$	<u>63,544</u>	<u>4,717</u>	<u>68,261</u>

This debt will be retired from the Shortfall Notes Retirement Fund.

4. Shortfall tax note, Series 2009:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	58,847	8,500	67,347
2012		61,554	5,793	67,347
2013		64,385	2,962	67,347
Total	\$	<u>184,786</u>	<u>17,255</u>	<u>202,041</u>

This debt will be retired from the Shortfall Notes Retirement Fund.

Total shortfall notes payable payments for all issues:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	120,314	13,645	133,959
2012		94,088	7,390	101,478
2013		64,385	2,962	67,347
Total	\$	<u>278,787</u>	<u>23,997</u>	<u>302,784</u>

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

D. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of a floor scrubber at a cost of \$4,260 with no down payment. The lease is for 12 installments of \$440. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. At the end of the lease term, the lessee has the option to purchase the equipment for \$1.00.
2. The lessee has the option to return the equipment at the end of the lease term as long as the lessee notifies the lessor between 90-180 days prior to the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Floor Scrubber	24%	01-01-10	01-01-11	\$ 4,260	1,420
Total				\$ 4,260	1,420

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 1,420	0	1,420
Total	\$ 1,420	0	1,420

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance fund.

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

E. Compensated Absences

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

(7) Prior Year Defeasance of Debt

In prior years, the Webster County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2010, \$2,130,000 of bonds outstanding are defeased.

(8) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$986,171, \$958,617, and \$946,664, respectively, which equaled the required contributions for each year.

(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.

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2011	\$ 82,841
2012	82,791
2013	82,791
2014	71,823
2015	10,023
2016 - 2020	24,184
Total	\$ 354,453

(10) Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 63 school districts and covers risks of loss arising from injuries to the member's 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.

Webster County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

(11) Contingencies

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

(12) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Webster County School District evaluated the activity of the district through January 27, 2011, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

On September 14, 2010, the Board approved the issuance of shortfall notes in the amount of \$125,710. These notes were financed through Institutional Services Group, LLC and are to be repaid over a three year period at an annual interest rate of 2.06%.

REQUIRED SUPPLEMENTARY INFORMATION

Webster County School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2010

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,598,862	2,654,355	2,654,372	55,493	17
State sources	8,706,883	7,612,519	7,612,019	(1,094,364)	(500)
Federal sources	94,000	106,915	106,915	12,915	0
Total Revenues	11,399,745	10,373,789	10,373,306	(1,025,956)	(483)
Expenditures:					
Instruction	7,104,891	6,558,979	6,525,179	545,912	33,800
Support services	3,644,437	3,498,586	3,474,281	145,851	24,305
Noninstructional services		6,391	6,391	(6,391)	0
Facilities acquisition and construction		32,972		(32,972)	32,972
Debt service:					
Principal		2,840	2,840	(2,840)	0
Interest		681	680	(681)	1
Total Expenditures	10,749,328	10,100,449	10,009,371	648,879	91,078
Excess (Deficiency) of Revenues over (under) Expenditures	650,417	273,340	363,935	(377,077)	90,595
Other Financing Sources (Uses):					
Proceeds of loans	184,786	184,786	184,786	0	0
Inception of capital leases		4,260	4,260	4,260	0
Sale of transportation equipment		2,933	2,933	2,933	0
Operating transfers in	1,225,419	2,015,902	1,034,476	790,483	(981,426)
Operating transfers out	(1,823,101)	(1,862,197)	(870,771)	(39,096)	991,426
Total Other Financing Sources (Uses)	(412,896)	345,684	355,684	758,580	10,000
Net Change in Fund Balances	237,521	619,024	719,619	381,503	100,595
Fund Balances:					
July 1, 2009, as originally reported	438,200	635,298	635,543	197,098	245
Prior period adjustments		19,272		19,272	(19,272)
July 1, 2009, as restated	438,200	654,570	635,543	216,370	(19,027)
June 30, 2010	\$ 675,721	1,273,594	1,355,162	597,873	81,568

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

Webster County School District
 Budgetary Comparison Schedule
 Title 1 Fund
 For the Year Ended June 30, 2010

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 658,731	517,680	497,680	(141,051)	(20,000)
Total Revenues	658,731	517,680	497,680	(141,051)	(20,000)
Expenditures:					
Instruction	343,866	336,091	336,091	7,775	0
Support services	164,870	170,013	150,013	(5,143)	20,000
Noninstructional services	3,237	5,529	5,529	(2,292)	0
Total Expenditures	511,973	511,633	491,633	340	20,000
Excess (Deficiency) of Revenues over (under) Expenditures	146,758	6,047	6,047	(140,711)	0
Other Financing Sources (Uses):					
Operating transfers out	(6,701)	(6,047)	(6,047)	654	0
Total Other Financing Sources (Uses)	(6,701)	(6,047)	(6,047)	654	0
Net Change in Fund Balances	140,057	0	0	(140,057)	0
Fund Balances:					
July 1, 2009	0	0	0	0	0
June 30, 2010	\$ 140,057	0	0	(140,057)	0

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

Webster County School District
 Budgetary Comparison Schedule
 Title 1 ARRA Fund
 For the Year Ended June 30, 2010

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 0	237,425	207,425	237,425	(30,000)
Total Revenues	0	237,425	207,425	237,425	(30,000)
Expenditures:					
Instruction	0	220,625	190,625	(220,625)	30,000
Support services	0	16,800	16,800	(16,800)	0
Total Expenditures	0	237,425	207,425	(237,425)	30,000
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2009	0	0	0	0	0
June 30, 2010	\$ 0	0	0	0	0

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

Webster County School District
 Budgetary Comparison Schedule
 Forestry Escrow Fund
 For the Year Ended June 30, 2010

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 4,500	47,455	47,455	42,955	0
Total Revenues	4,500	47,455	47,455	42,955	0
Expenditures:					
Sixteenth section	43,700	63,218	33,218	(19,518)	30,000
Total Expenditures	43,700	63,218	33,218	(19,518)	30,000
Excess (Deficiency) of Revenues over (under) Expenditures	(39,200)	(15,763)	14,237	23,437	30,000
Net Change in Fund Balances	(39,200)	(15,763)	14,237	23,437	30,000
Fund Balances:					
July 1, 2009	353,328	388,471	388,471	35,143	0
June 30, 2010	\$ 314,128	372,708	402,708	58,580	30,000

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

Webster County School District
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2010

Exhibit 5

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 90,460	345,962	345,962	255,502	0
Total Revenues	90,460	345,962	345,962	255,502	0
Expenditures:					
Sixteenth section	2,000	1,280	580	720	700
Total Expenditures	2,000	1,280	580	720	700
 Excess (Deficiency) of Revenues over (under) Expenditures	 88,460	 344,682	 345,382	 256,222	 700
Other Financing Sources (Uses):					
Operating transfers out	(200,000)	(825,000)	(825,000)	(625,000)	0
Total Other Financing Sources (Uses)	(200,000)	(825,000)	(825,000)	(625,000)	0
 Net Change in Fund Balances	 (111,540)	 (480,318)	 (479,618)	 (368,778)	 700
 Fund Balances:					
July 1, 2009	1,000,000	1,150,209	1,150,209	150,209	0
June 30, 2010	\$ 888,460	669,891	670,591	(218,569)	700

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Webster County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2010

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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.

SUPPLEMENTAL INFORMATION

Webster County School District**Schedule 1**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE/</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 164,571
National School Lunch Program	10.555	518,283
Total child nutrition cluster		<u>682,854</u>
Total passed-through the MDE		<u>682,854</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u><u>682,854</u></u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through Universal Service Administrative Company:		
Communications information and assistance and investigation of complaints	32.001	70,050
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u><u>70,050</u></u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	497,680
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	207,425
Total Title I cluster		<u>705,105</u>
Career and Technical Education - Basic Grants to States	84.048	24,400
Safe and Drug Free Schools and Communities - National Program	84.184	64,408
Safe and Drug Free Schools and Communities - State Grants	84.186	7,084
Education Technology State Grants	84.318	2,673
Rural Education	84.358	26,365
Improving Teacher Quality State Grants	84.367	89,933
ARRA - State Fiscal Stabilization Funds (SFSF) - Recovery Act	84.394	613,501
Sub-total		<u>828,364</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	252,621
Special Education - Preschool Grants	84.173	13,646
ARRA - Special Education - Grants to States - Recovery Act	84.391	175,566
Total special education cluster		<u>441,833</u>
Total passed-through the MDE		<u>1,975,302</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u><u>1,975,302</u></u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$ 2,728,206</u></u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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

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

Schedule 2

Expenditures	Total	Instruction and Other Student			
		Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,228,519	8,691,895	550,450	825,275	1,160,899
Other	3,113,507	1,114,226	96,707	16,881	1,885,693
Total	\$ 14,342,026	9,806,121	647,157	842,156	3,046,592

Total number of students * 1,938

Cost per student \$ 7,400 5,060 334 434 1,572

NOTES TO SCHEDULE

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

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

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

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

* Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER SUPPLEMENTAL INFORMATION

Webster County School District
"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 2,654,372	2,495,121	2,314,534	2,280,617
State sources	7,612,019	8,392,897	8,604,877	8,148,282
Federal sources	106,915	105,607	98,782	99,455
Total Revenues	10,373,306	10,993,625	11,018,193	10,528,354
Expenditures:				
Instruction	6,525,179	7,118,026	6,930,799	6,618,711
Support services	3,474,281	3,584,731	3,551,122	3,169,841
Noninstructional services	6,391	7,831	7,366	6,453
Debt service:				
Principal	2,840			
Interest	680			
Total Expenditures	10,009,371	10,710,588	10,489,287	9,795,005
Excess (Deficiency) of Revenues over (under) Expenditures	363,935	283,037	528,906	733,349
Other Financing Sources (Uses):				
Proceeds of loans	184,786	93,103	85,792	34,840
Inception of capital leases	4,260			
Insurance loss recoveries				1,763
Sale of transportation equipment	2,933	1,501	251	4,838
Operating transfers in	1,034,476	149,200	230,024	143,736
Operating transfers out	(870,771)	(841,475)	(759,582)	(740,986)
Total Other Financing Sources (Uses)	355,684	(597,671)	(443,515)	(555,809)
Net Change in Fund Balances	719,619	(314,634)	85,391	177,540
Fund Balances:				
July 1,	635,543	950,177	864,786	687,246
June 30,	\$ 1,355,162	635,543	950,177	864,786

*SOURCE - PRIOR YEAR AUDIT REPORTS

Webster County School District**"UNAUDITED"**

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 2,948,982	2,879,214	2,660,506	2,589,345
Intermediate sources		3,966	53,136	
State sources	8,296,491	9,192,709	9,481,156	8,933,135
Federal sources	2,765,349	2,204,440	2,020,257	1,913,534
Sixteenth section sources	393,437	172,526	1,046,574	297,055
Total Revenues	14,404,259	14,452,855	15,261,629	13,733,069
Expenditures:				
Instruction	8,801,371	8,990,934	8,611,616	8,201,315
Support services	4,300,300	4,645,857	4,604,347	3,995,753
Noninstructional services	876,808	894,129	914,408	779,923
Sixteenth section	33,798	55,317	24,323	59,099
Facilities acquisition and construction		308,517	143,104	
Debt service:				
Principal	221,532	288,737	260,772	237,299
Interest	107,217	164,503	140,840	148,949
Other	1,000	1,275	20,009	642
Total Expenditures	14,342,026	15,349,269	14,719,419	13,422,980
Excess (Deficiency) of Revenues over (under) Expenditures	62,233	(896,414)	542,210	310,089
Other Financing Sources (Uses):				
Proceeds of refunding bonds			2,360,000	
Proceeds of loans	184,786	93,103	85,792	34,840
Inception of capital leases	4,260			
Insurance loss recoveries				1,763
Sale of transportation equipment	2,933	1,501	251	4,838
Operating transfers in	1,905,247	1,443,174	1,239,606	884,722
Operating transfers out	(1,905,247)	(1,443,174)	(1,239,606)	(884,722)
Payment to refunded bond escrow agent			(2,342,000)	
Total Other Financing Sources (Uses)	191,979	94,604	104,043	41,441
Net Change in Fund Balances	254,212	(801,810)	646,253	351,530
Fund Balances:				
July 1,	2,800,460	3,606,821	2,962,173	2,603,701
Increase (Decrease) in reserve for inventory	(5,708)	(4,551)	(1,605)	6,942
June 30,	\$ 3,048,964	2,800,460	3,606,821	2,962,173

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

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, 2010, which collectively comprise the Webster County School District's basic financial statements and have issued our report thereon dated January 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting. [Finding **2010-1**]. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance or other matter that we reported to management of the school district in a separate letter dated January 27, 2011, which is included in this report.

Webster County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Webster County School District's response and, accordingly, we express no opinion on it.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 27, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Superintendent and School Board
Webster County School District

Compliance

We have audited the compliance of the Webster County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Webster County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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 the 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. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the Webster County School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Webster County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Webster County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 27, 2011

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Webster County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2010, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated January 27, 2011. 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 \$2,431 classroom supply funds carried over from previous years.

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

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

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

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

Finding 1:

Section 37-9-31, Miss. Code Ann. (1972) requires all school principals and attendance center principals to be bonded for at least \$50,000.

During the course of our audit, we noted four (4) principals were bonded for \$25,000.

Recommendation:

The school district should comply with Section 37-9-31.

Response:

The school district will comply with Section 37-9-31.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 27, 2011

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Webster County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2010

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Noncompliance material to financial statements noted? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA #10.553
CFDA #10.555
 - b. Title I Cluster:
CFDA #84.010
CFDA #84.389
 - c. ARRA - State Fiscal Stabilization Fund (SFSF), Recovery Act
CFDA #84.394

- d. Special Education Cluster:
CFDA# 84.027
CFDA# 84.173
CFDA# 84.391
- 8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
- 9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Significant Deficiency:

Finding 2010-1:

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

We noted the following exception during our examination of non-payroll expenditures transactions selected for test purposes:

- 8 out of 30 invoices had lack of adequate documentation of receipt of the item purchased.

This exception represent a significant deficiency in the internal control system of the District due to a lack of controls to ensure that items purchased are properly received by district personnel and adequately documented as such.

Recommendation:

The school district should implement policies and procedures to ensure all necessary documents, including proper authorization, purchase requisition, purchase order, where appropriate, and receiving documentation are maintained by the district and made available for audit.

Section III: Federal Award Findings and Questioned Costs

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

Webster County School District
95 Clark Avenue
Eupora, MS 39744
Jimmy Pittman - Superintendent
Heidi Young - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the Webster County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2010:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2010-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Heidi Young Title: Business Manager Phone Number: 662-258-5921</p> <p>b. Corrective Action Planned:</p> <p>The school district will implement policies and procedures to insure all necessary documents, including proper authorization, purchase requisition, purchase order, where appropriate, and receiving documentation are maintained by the district and made available for audit.</p> <p>c. Anticipated Completion Date:</p> <p>06/30/2011</p>

Webster County School District
95 Clark Avenue
Eupora, MS 39744
Jimmy Pittman - Superintendent
Heidi Young - Business Manager

PRIOR YEAR AUDIT FINDINGS FOLLOW-UP

As required by Section __.315(b) of OMB Circular A-133, the Webster County School District has prepared and hereby submits the following prior year audit findings follow-up as of June 30, 2010:

<u>Finding</u>	<u>Status</u>
2009-2	Corrected