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**WEBSTER COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2016**

**WEBSTER COUNTY SCHOOL DISTRICT**

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**INDEPENDENT AUDITORS' REPORT**



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

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

**INDEPENDENT AUDITORS' REPORT**

Superintendent and School Board  
Webster County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Webster County School District's basic financial statements as listed in the contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-14, 46-48, 49 and 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Webster County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017 on our consideration of the Webster County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Webster County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 9, 2017

*Watkins Ward and Stafford, PLLC*



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

The following discussion and analysis of Webster County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2016 decreased \$288,291, including a prior period adjustment of \$11,924, which represents a 19% decrease from fiscal year 2015. Total net position for 2015 decreased \$17,490,560, including a prior period adjustment of \$(17,624,663), which represents a 92% decrease from fiscal year 2014.
- General revenues amounted to \$12,865,408 and \$12,055,677, or 78% and 77% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,540,801, or 22% of total revenues for 2016, and \$3,612,322, or 23% of total revenues for 2015.
- The District had \$17,006,216 and \$15,709,179 in expenses for fiscal years 2016 and 2015; only \$3,540,801 for 2016 and \$3,612,322 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,865,408 for 2016 were not adequate to provide for these programs, and \$12,055,677 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,946,853 in revenues and \$12,366,871 in expenditures for 2016, and \$12,207,327 in revenues and \$11,589,583 in expenditures in 2015. The General Fund's fund balance increased by \$59,661 from 2015 to 2016, which included a prior period adjustment of \$11,924, and increased by \$1,265,287 from 2014 to 2015, which included a prior period adjustment of \$19,443 and a fund reclassification of \$1,174,936.
- Capital assets, net of accumulated depreciation, increased/decreased by \$175,701 for 2016 and increased by \$434,371 for 2015. The increase/decrease for 2016 was due to completed construction in progress netted against the increase in accumulated depreciation.
- Long-term debt decreased by \$329,729 for 2016 and decreased by \$1,655,950 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,158 for 2016 and increased by \$12,688 for 2015.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the schedule of the district's proportionate share of the net pension liability and schedule of the district's contributions are presented in this section.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,208,886 as of June 30, 2016.

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 position at June 30, 2016 and June 30, 2015.

**Table 1**  
**Condensed Statement of Net Position**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>Percentage Change</b>
Current assets	\$ 2,895,320	\$ 3,160,928	-8.40 %
Restricted assets	764,380	653,942	16.89 %
Capital assets, net	18,292,988	18,468,689	-0.95 %
<b>Total assets</b>	<b>21,952,688</b>	<b>22,283,559</b>	<b>-1.48 %</b>
 <b>Deferred outflows of resources</b>	 <b>4,864,924</b>	 <b>1,576,676</b>	 <b>208.56 %</b>
 Current liabilities	 271,638	 455,532	 -40.37 %
Long-term debt outstanding	2,528,275	2,858,004	-11.54 %
Net pension liability	20,713,758	16,629,292	24.56 %
<b>Total liabilities</b>	<b>23,513,671</b>	<b>19,942,828</b>	<b>17.91 %</b>
 <b>Deferred inflows of resources</b>	 <b>2,095,055</b>	 <b>2,420,230</b>	 <b>-13.44 %</b>
 <b>Net position:</b>			
Net investment in capital assets	16,014,988	15,905,689	0.69 %
Restricted	1,150,093	1,181,030	-2.62 %
Unrestricted	(15,956,195)	(15,589,542)	-2.35 %
<b>Total net position</b>	<b>\$ 1,208,886</b>	<b>\$ 1,497,177</b>	<b>-19.26 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(15,956,195)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	17,943,889
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ 1,987,694</u></u>

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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

- Decrease in net capital assets in the amount of \$175,701.
- The principal retirement of \$352,131 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$16,406,209 and \$15,667,999, respectively. The total cost of all programs and services was \$17,006,216 for 2016 and \$15,709,179 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>Change</b>	
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 890,030	\$ 914,611	(2.69)	%
Operating grants and contributions	2,634,979	2,697,711	(2.33)	%
Capital Grants and Contributions	15,792	-	N/A	%
General revenues:				
Property taxes	2,404,848	2,303,196	4.41	%
Grants and contributions not restricted	10,012,024	9,449,517	5.95	%
Investment earnings	11,216	7,777	44.22	%
Sixteenth section sources	339,395	167,153	103.04	%
Other	97,925	128,034	(23.52)	%
<b>Total revenues</b>	<b>16,406,209</b>	<b>15,667,999</b>	<b>4.71</b>	<b>%</b>
<b>Expenses:</b>				
Instruction	9,024,748	8,853,118	1.94	%
Support services	4,916,181	4,623,348	6.33	%
Non-instructional	998,629	937,267	6.55	%
Sixteenth section	109,425	44,690	144.85	%
Pension expense	1,854,700	1,122,751	65.19	%
Interest on long-term liabilities	102,533	128,005	(19.90)	%
<b>Total expenses</b>	<b>17,006,216</b>	<b>15,709,179</b>	<b>8.26</b>	<b>%</b>
<b>Extraordinary Items</b>	<b>299,792</b>	<b>175,283</b>	<b>71.03</b>	<b>%</b>
<b>Increase (Decrease) in net position</b>	<b>(300,215)</b>	<b>134,103</b>	<b>(323.87)</b>	<b>%</b>
<b>Net Position, July 1, as previously reported</b>	<b>1,497,177</b>	<b>18,987,737</b>	<b>(92.12)</b>	<b>%</b>
<b>Prior Period Adjustment</b>	<b>11,924</b>	<b>(17,624,663)</b>	<b>100.07</b>	<b>%</b>
<b>Net Position, July 1, as restated</b>	<b>1,509,101</b>	<b>1,363,074</b>	<b>10.71</b>	<b>%</b>
<b>Net Position, June 30</b>	<b>\$ 1,208,886</b>	<b>\$ 1,497,177</b>	<b>(19.26)</b>	<b>%</b>

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>	
	<b>2016</b>	<b>2015</b>		
Instruction	\$ 9,024,748	\$ 8,853,118	1.94	%
Support services	4,916,181	4,623,348	6.33	%
Non-instructional	998,629	937,267	6.55	%
Sixteenth section	109,425	44,690	144.85	%
Pension Expense	1,854,700	1,122,751	65.19	%
Interest on long-term liabilities	102,533	128,005	(19.90)	%
<b>Total expenses</b>	<b>\$ 17,006,216</b>	<b>\$ 15,709,179</b>	<b>8.26</b>	<b>%</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>	
	<b>2016</b>	<b>2015</b>		
Instruction	\$ (7,323,039)	\$ (7,115,207)	2.92	%
Support services	(4,177,137)	(3,831,609)	9.02	%
Non-instructional	(4,867)	55,820	(108.72)	%
Sixteenth section	(84,083)	(35,615)	136.09	%
Pension Expense	(1,854,700)	(1,122,751)	65.19	%
Interest on long-term liabilities	(21,589)	(47,495)	(54.54)	%
<b>Total net (expense) revenue</b>	<b>\$ (13,465,415)</b>	<b>\$ (12,096,857)</b>	<b>11.31</b>	<b>%</b>

- Net cost of governmental activities (\$13,465,415 for 2016 and \$12,096,857 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$2,404,848 for 2016 and \$2,303,196 for 2015) and state and federal revenues (\$10,012,024 for 2016 and \$9,449,517 for 2015). In addition, there was \$339,395 and \$167,153 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$11,216 for 2016 and \$7,777 for 2015.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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 \$3,384,357, an increase of \$86,727, which includes a prior period adjustment of \$11,924 and a decrease in inventory of \$12,418. \$2,024,340 or 60% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,360,017 or 40% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$59,661. The fund balance of Other Governmental Funds showed a decrease in the amount of \$4,414, which includes a decrease in reserve for inventory of \$12,418. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic	no increase or decrease
EWHS Disaster	\$ (77,029)
QSCB Bond Retirement	\$ 108,509

## **BUDGETARY HIGHLIGHTS**

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

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2016, the District's total capital assets were \$26,137,688, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$303,880 from 2015. Total accumulated depreciation as of June 30, 2016, was \$7,844,700, and total depreciation expense for the year was \$579,816, resulting in total net capital assets of \$18,292,988.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 214,048	\$ 214,048	0.00 %
Construction in Progress	-	1,036,360	(100.00) %
Buildings	15,277,296	15,088,445	1.25 %
Building improvements	1,369,316	624,188	119.38 %
Improvements other than buildings	943,703	947,991	(0.45) %
Mobile equipment	419,547	473,084	(11.32) %
Furniture and equipment	69,078	84,573	(18.32) %
<b>Total</b>	<b>\$ 18,292,988</b>	<b>\$ 18,468,689</b>	<b>(0.95) %</b>

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



**WEBSTER COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**Debt Administration.** At June 30, 2016, the District had \$2,528,275 in outstanding long-term debt, of which \$369,431 is due within one year. The liability for compensated absences decreased \$10,158 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>Percentage Change</b>
Limited obligation bonds payable	778,000	1,063,000	(26.81) %
Shortfall notes payable	109,088	143,659	(24.06) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	141,187	151,345	(6.71) %
<b>Total</b>	<b>\$ 2,528,275</b>	<b>\$ 2,858,004</b>	<b>(11.54) %</b>

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

## **CURRENT ISSUES**

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

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**FINANCIAL STATEMENTS**

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2016**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,223,970
Due from other governments	555,691
Other receivables, net	77,888
Inventories	37,771
Restricted assets	764,380
Capital assets, non-depreciable:	
Land	214,048
Capital assets, net of accumulated depreciation:	
Buildings	15,277,296
Building improvements	1,369,316
Improvements other than buildings	943,703
Mobile equipment	419,547
Furniture and equipment	69,078
Total Assets	<u>21,952,688</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	4,864,924
Total Deferred Outflows of Resources	<u>4,864,924</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	228,568
Interest payable on long-term liabilities	43,070
Long-term liabilities, due within one year:	
Capital related liabilities	290,000
Non-capital related liabilities	79,431
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,988,000
Non-capital related liabilities	170,844
Net pension liability	20,713,758
Total Liabilities	<u>23,513,671</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	2,095,055
Total Deferred Inflows of Resources	<u>2,095,055</u>
<b>Net Position</b>	
Net investment in capital assets	16,014,988
Restricted for:	
Expendable:	
School-based activities	111,729
Debt service	853,099
Capital improvements	32,760
Forestry improvements	95,698
Unemployment benefits	45,431
Non-expendable:	
Sixteenth section	11,376
Unrestricted	(15,956,195)
Total Net Position	<u>\$ 1,208,886</u>

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 9,024,748	\$ 578,252	\$ 1,123,457	\$ -	\$ (7,323,039)
Support services	4,916,181	-	739,044	-	(4,177,137)
Non-instructional	998,629	286,436	691,534	15,792	(4,867)
Sixteenth section	109,425	25,342	-	-	(84,083)
Pension expense	1,854,700	-	-	-	(1,854,700)
Interest on long-term liabilities	102,533	-	80,944	-	(21,589)
Total Governmental Activities	\$ 17,006,216	\$ 890,030	\$ 2,634,979	\$ 15,792	\$ (13,465,415)

General Revenues:

Taxes:

General purpose levies

2,323,352

Debt purpose levies

81,496

Unrestricted grants and contributions:

State

9,904,207

Federal

107,817

Unrestricted investment earnings

11,216

Sixteenth section sources

339,395

Other

97,925

Total General Revenues

12,865,408

Extraordinary items

299,792

Total General Revenues, Special Items,  
Extraordinary Items and Transfers

13,165,200

Change in Net Position

(300,215)

Net Position - Beginning, as previously reported \*  
Prior Period Adjustments

1,497,177  
11,924

Net Position - Beginning, as restated \*

1,509,101

Net Position - Ending

\$ 1,208,886

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2016**

**Exhibit C**

	Major Funds						
	General Fund	Title I-A Basic FY 16 Fund	EWHS Disaster Fund	QSCB Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>							
Cash and cash equivalents	\$ 1,867,143	\$ -	\$ -	\$ 1,098	\$ 368,203	\$ 2,236,444	
Cash with fiscal agents	-	-	-	4,919	151,392	156,311	
Investments	-	-	-	439,500	-	439,500	
Due from other governments	181,180	52,444	159,915	-	270,275	663,814	
Accrued interest receivable	-	-	-	1,197	-	1,197	
Other receivables, net	562	-	-	-	8	570	
Due from other funds	338,747	-	-	-	-	338,747	
Inventories	-	-	-	-	37,771	37,771	
Total Assets	2,387,632	52,444	159,915	446,714	827,649	3,874,354	
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 149,663	\$ 23,379	\$ -	\$ -	\$ 55,526	\$ 228,568	
Due to other funds	-	29,065	159,915	-	72,449	261,429	
Total Liabilities	149,663	52,444	159,915	-	127,975	489,997	
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory	-	-	-	-	37,771	37,771	
Permanent fund principal	-	-	-	-	11,376	11,376	
<b>Restricted:</b>							
Debt service	-	-	-	446,714	402,680	849,394	
Capital projects	-	-	-	-	32,760	32,760	
Forestry improvement purposes	-	-	-	-	95,698	95,698	
Grant activities	-	-	-	-	73,958	73,958	
Unemployment benefits	-	-	-	-	45,431	45,431	
<b>Assigned:</b>							
Activity funds	213,629	-	-	-	-	213,629	
<b>Unassigned</b>	2,024,340	-	-	-	-	2,024,340	
Total Fund Balances	2,237,969	-	-	446,714	699,674	3,384,357	
Total Liabilities and Fund Balances	\$ 2,387,632	\$ 52,444	\$ 159,915	\$ 446,714	\$ 827,649	\$ 3,874,354	

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

**WEBSTER COUNTY SCHOOL DISTRICT****Exhibit C-1****Governmental Funds****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position****June 30, 2016**

<b>Total fund balances for governmental funds</b>	<b>\$</b>	<b>3,384,357</b>
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Amounts reported for governmental activities in the statement of Net Position are different because:

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

Land	\$	214,048	
Buildings		20,320,151	
Building improvements		1,569,200	
Improvements other than buildings		1,210,869	
Mobile equipment		2,091,960	
Furniture and equipment		731,460	
Accumulated depreciation		<u>(7,844,700)</u>	18,292,988

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

46,775

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

Net pension liability	(20,713,758)	
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Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	4,864,924	
Deferred inflows of resources related to pensions	<u>(2,095,055)</u>	(17,943,889)

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

Limited obligation bonds	(778,000)	
Shortfall notes payable	(109,088)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(141,187)	
Accrued interest payable	<u>(43,070)</u>	(2,571,345)

<b>Net Position of governmental activities</b>	<b>\$</b>	<b><u>1,208,886</u></b>
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The accompanying notes to financial statements are an integral part of these statements.

**WEBSTER COUNTY SCHOOL DISTRICT**
**Exhibit D**
**Governmental Funds**
**Statement of Revenues, Expenditures and Changes in Fund Balances**
**For the Year Ended June 30, 2016**

	Major Funds					
	General Fund	Title I-A Basic FY 16 Fund	EWHS Disaster Fund	QSCB Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 3,144,755	\$ -	\$ -	\$ 9,258	\$ 286,617	\$ 3,440,630
State sources	9,337,796	-	-	-	1,218,061	10,555,857
Federal sources	123,519	321,795	7,972	80,944	1,572,708	2,106,938
Sixteenth section sources	340,783	-	-	-	25,518	366,301
Total Revenues	12,946,853	321,795	7,972	90,202	3,102,904	16,469,726
<b>Expenditures:</b>						
Instruction	8,035,478	300,197	-	-	1,290,162	9,625,837
Support services	4,182,464	129,688	1,976	-	873,453	5,187,581
Noninstructional services	-	5,822	-	-	985,306	991,128
Sixteenth section	75,931	-	-	-	33,494	109,425
Facilities acquisition and construction	72,998	-	83,025	-	184,685	340,708
Debt service:						
Principal	-	-	-	-	352,131	352,131
Interest	-	-	-	86,850	17,499	104,349
Other	-	-	-	843	-	843
Total Expenditures	12,366,871	435,707	85,001	87,693	3,736,730	16,712,002
Excess (Deficiency) of Revenues over (under) Expenditures	579,982	(113,912)	(77,029)	2,509	(633,826)	(242,276)
<b>Other Financing Sources (Uses):</b>						
Bonds and notes issued	32,560	-	-	-	-	32,560
Insurance recovery	476	-	-	-	-	476
Payment to refunded bond escrow agent	-	-	-	(106,000)	-	(106,000)
Operating transfers in	101,656	119,060	-	106,000	557,606	884,322
Other financing sources	-	-	-	106,000	-	106,000
Operating transfers out	(663,606)	(5,148)	-	-	(215,568)	(884,322)
Other financing uses	(3,331)	-	-	-	-	(3,331)
Total Other Financing Sources (Uses)	(532,245)	113,912	-	106,000	342,038	29,705
Extraordinary items,	-	-	-	-	299,792	299,792
Net Change in Fund Balances	47,737	-	(77,029)	108,509	8,004	87,221
<b>Fund Balances:</b>						
July 1, 2015, as previously reported	2,178,308	-	77,029	338,205	704,088	3,297,630
Prior period adjustments	11,924	-	-	-	-	11,924
July 1, 2015, as restated	2,190,232	-	77,029	338,205	704,088	3,309,554
Increase (Decrease) in reserve for inventory	-	-	-	-	(12,418)	(12,418)
June 30, 2016	\$ 2,237,969	\$ -	\$ -	\$ 446,714	\$ 699,674	\$ 3,384,357

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

## WEBSTER COUNTY SCHOOL DISTRICT

Exhibit D-1

## Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 87,221

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

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

Capital outlay	\$ 437,460	
Depreciation expense	<u>(579,816)</u>	(142,356)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (33,345)

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

Bonds and notes issued	(32,560)	
Payments of debt principal	352,131	
Accrued interest payable	<u>2,659</u>	322,230

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

Pension contributions for the FYE 6/30/16 are reported as a deferred outflow	1,383,657	
Pension expense calculated during the implementation of GASB 68	<u>(1,854,700)</u>	(471,043)

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

Change in due from other governments	(60,662)	
Change in compensated absences	10,158	
Change in inventory reserve	<u>(12,418)</u>	(62,922)

Change in Net Position of governmental activities	<u>\$ (300,215)</u>
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The accompanying notes to financial statements are an integral part of these statements.



**WEBSTER COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2016**

**Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 71	\$ 689,731
Other receivables, net	-	26
Due from other governments	-	271
Total Assets	<u>71</u>	<u>\$ 690,028</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 498,682
Due to other funds	-	77,318
Due to student clubs	-	114,028
Total Liabilities	<u>-</u>	<u>\$ 690,028</u>
<b>Net Position</b>		
Reserved for endowments	<u>71</u>	
Total Net Position	<u>\$ 71</u>	

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2016**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ -
Total Additions	-
<b>Deductions</b>	
Scholarships awarded	500
Total Deductions	500
Change in Net Position	(500)
<b>Net Position</b>	
July 1, 2015	571
June 30, 2016	\$ 71

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

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

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

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

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

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

The school district reports the following major governmental funds:

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

Title I-A Basic FY 16 Fund - This is a special revenue fund that accounts for resources received in administering the Title I grants received by the district.

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

QSCB Bond Retirement Fund – This is a debt service fund that the district uses to report compliance with sinking fund requirements of the QSCB bonds issued in the fiscal year ended June 30, 2011.

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

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

The District's fiduciary funds include the following:

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

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

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

**FIDUCIARY FUNDS**

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

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

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

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

**E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances**

**1. Cash, Cash equivalents and Investments**

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

**2. Receivables and payables**

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

Advances between funds, as reported in the fund financial statements, are offset by a fund

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

balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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The following schedule details the capitalization thresholds:

	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. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 14 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 14 for further details.

**8. Compensated Absences**

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

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

**9. Long-term Liabilities and Bond Discounts/Premiums**

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



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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are

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incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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

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

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 2,236,444 and \$ 689,802, respectively.

***Custodial Credit Risk - Deposits.*** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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. 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.

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

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$156,311.

**Investments**

As of June 30, 2016, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AAA	10-15	\$ 439,500
Total			\$ <u>439,500</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2016:

- U.S. Government Securities type of investments of \$439,500 are valued using quoted market prices (Level 1 inputs)

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, the district did not have any investments to which this would apply.

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic FY 16 Fund	\$ 29,065
	EWHS Disaster Fund	159,915
	Other Governmental Funds	72,449
	Agency Funds	<u>77,318</u>
Total		<u>338,747</u>

All interfund loans from the General Fund were made to offset deficit cash balances.

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**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	QSCB Bond Retirement Fund \$	106,000
	Other Governmental Funds	557,606
Title I-A Basic FY 16 Fund	General Fund	5,148
Other Governmental Funds	General Fund	96,508
	Title I-A Basic FY 16 Fund	119,060
Total	\$	<u>884,322</u>

Transfers in and out were for indirect costs from special revenue funds to the general fund and operating transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance \$11,376 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represents the cash balance of \$1,098 in the QSCB Bond Retirement Fund. In addition, the restricted assets represent the cash with fiscal agents balances of the QSCB Bond Retirement Fund and MAEP Limited Obligation Bond of \$ 4,919 and \$ 151,392, respectively, as well as the due from local governments balance of \$154,898 of the MAEP Limited Obligation Bond. Finally, the restricted assets represent the investment and accrued interest balance, totaling \$439,500 and \$1,197, respectively, of the QSCB Bond Retirement Fund.

**WEBSTER COUNTY SCHOOL DISTRICT**  
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**Note 5 – Capital Assets**

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

	Balance 7/1/2015	Additions	Deletions	Adjustments*	Balance 6/30/2016
<u>Non-depreciable capital assets</u>					
Land	\$ 214,048	\$ -	\$ -	\$ -	\$ 214,048
Construction in Progress	1,036,360	340,708	-	(1,377,068)	-
Total Non-depreciable capital assets	1,250,408	340,708	-	(1,377,068)	214,048
<u>Depreciable capital assets</u>					
Buildings	19,811,574	-	(60,595)	569,172	20,320,151
Building Improvements	761,304	-	-	807,896	1,569,200
Improvements Other Than Buildings	1,192,329	49,157	(30,617)	-	1,210,869
Mobile Equipment	2,085,460	20,000	(13,500)	-	2,091,960
Furniture and Equipment	732,733	27,595	(28,868)	-	731,460
Total Depreciable capital assets	24,583,400	96,752	(133,580)	1,377,068	25,923,640
<u>Accumulated Depreciation</u>					
Buildings	4,723,129	368,202	(48,476)	-	5,042,855
Building Improvements	137,116	62,768	-	-	199,884
Improvements Other Than Buildings	244,338	47,321	(24,493)	-	267,166
Mobile Equipment	1,612,376	70,972	(10,935)	-	1,672,413
Furniture and Equipment	648,160	30,553	(16,331)	-	662,382
Total Accumulated depreciation	7,365,119	579,816	(100,235)	-	7,844,700
Total Depreciable capital assets, net	17,218,281	(483,064)	(33,345)	1,377,068	18,078,940
Total Capital Assets, net	\$ 18,468,689	\$ (142,356)	\$ (33,345)	\$ -	\$ 18,292,988

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 410,468
Support Services	131,493
Noninstructional	37,855
Total Depreciation expense - Governmental activities	\$ <u>579,816</u>

\*Adjustments represent transfers of completed construction to a depreciable asset reporting category.

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

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,063,000	\$ -	\$ (285,000)	\$ 778,000	\$ 290,000
B. Shortfall notes payable	143,659	32,560	(67,131)	109,088	79,431
C. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
D. Compensated absences payable	151,345	938	(11,096)	141,187	-
Total	\$ 2,858,004	\$ 33,498	\$ (363,227)	\$ 2,528,275	\$ 369,431

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvements Bonds, Series 2012	1.39%	11/16/2012	2/1/2018	\$1,591,000	\$ 778,000

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

Limited obligation bond issue of 11/16/2012:

Year Ending June 30	Principal	Interest	Total
2017	\$ 290,000	\$ 10,814	\$ 300,814
2018	488,000	8,132	496,132
Total	\$ 778,000	\$ 18,946	\$ 796,946

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

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

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**Notes to Financial Statements**

**B. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Shortfall Note, Series 2013	2.39%	10/6/2013	9/6/2016	\$ 179,609	\$ 61,289
Revenue Shortfall Note, Series 2014	3.15%	10/9/2014	10/9/2017	22,511	15,239
Revenue Shortfall Note, Series 2015	1.99%	10/9/2015	10/9/2018	32,560	32,560
Total				<u>\$ 234,680</u>	<u>\$ 109,088</u>

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

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 61,289	\$ 1,465	\$ 62,754

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 7,501	\$ 480	\$ 7,981
2018	7,738	244	7,982
Total	<u>\$ 15,239</u>	<u>\$ 724</u>	<u>\$ 15,963</u>

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

3. Shortfall notes payable issue of 10/9/2015:

Year Ending June 30	Principal	Interest	Total
2017	\$ 10,641	\$ 647	\$ 11,288
2018	10,851	437	11,288
2019	11,068	220	11,288
Total	<u>\$ 32,560</u>	<u>\$ 1,304</u>	<u>\$ 33,864</u>

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

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

Total Shortfall Notes Payable for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 79,431	\$ 2,592	\$ 82,023
2018	18,589	681	19,270
2019	11,068	220	11,288
Total	<u>\$ 109,088</u>	<u>\$ 3,493</u>	<u>\$ 112,581</u>

**C. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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

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

Qualified school construction bonds payable issue of 1/20/2011:

Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 86,850	\$ 86,850
2018	-	86,850	86,850
2019	-	86,850	86,850
2020	-	86,850	86,850
2021	-	86,850	86,850
2022-2026	1,500,000	434,250	1,934,250
Total	<u>\$ 1,500,000</u>	<u>\$ 868,500</u>	<u>\$ 2,368,500</u>

**D. Compensated absences payable**

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



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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$1,383,657, \$1,317,264 and \$1,315,275, respectively, which equaled the required contributions for each year.

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

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

At June 30, 2016, the school district reported a liability of \$20,713,758 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was .134 percent, which was based on a measurement date of June 30, 2015. This was a decrease of .003 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,854,700. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 484,871	\$ -
Net difference between projected and actual earnings on pension plan investments	1,211,977	1,807,903
Changes of assumptions	1,784,419	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	287,152
District contributions subsequent to the measurement date	1,383,657	-
Total	\$ <u>4,864,924</u>	\$ <u>2,095,055</u>

\$1,383,657 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 460,130
2018	440,367
2019	182,720
2020	302,995
2021	-
Thereafter	

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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**Notes to Financial Statements**

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 27,302,630	\$ 20,713,758	\$ 15,246,225

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

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

**Note 8 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2017	\$ 105,178
2018	95,997
2019	88,534
2020	5,800
2021	1,720
2022-2026	4,722
2027-2032	175
2032-2036	175
2037-2041	175
Thereafter	105
Total	<u>\$ 302,581</u>

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Error in prior year receivables	\$ 11,924
Total	<u>\$ 11,924</u>

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

Fund	Explanation	Amount
General Fund	Error in prior year receivables	\$ 11,924
Total		<u>\$ 11,924</u>

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

**Note 10 – Contingencies**

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

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

**Note 11 – 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 Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district'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 the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up 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 pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 12 – Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$80,944.

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2016 was \$444,419. These funds are reported as investments of \$439,500 and cash with fiscal agents of \$4,919. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2017	\$ 106,000
2018	106,000
2019	106,000
2020	106,000
2021	106,000
2022-2026	530,000
Total	<u>\$ 1,060,000</u>

**Note 13 - Insurance loss recoveries**

The Webster County School District received \$299,792 in insurance loss recoveries related to the fire damage to Eupora High School. The damage occurred during previous fiscal years. In the government-wide Statement of Activities, the insurance loss recoveries were reported as an extraordinary item. Webster County School District also received \$476 in insurance loss recoveries related to damage during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as miscellaneous income,

**Note 14 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(15,956,195) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$4,864,924 balance of the deferred outflow of resources at June 30, 2016, will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(15,956,195) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pension. The \$2,095,055 balance of deferred inflow of resources at June 30, 2016, will be recognized as revenue and increase unrestricted net position over the next 4 years.

**Note 15 – Extraordinary Items and/or Special Items**

On March 22, 2014, there was a fire at Eupora High School which caused extensive damage. The building where the fire was located was not destroyed and is still being used by the district. During the fiscal year June 30, 2014 year the district received \$1,000,000 in insurance proceeds to repair the damage to the Eupora High School building. During the fiscal year ended June 30, 2016, the district received an additional \$299,792 of insurance proceeds for the fire damage to the Eupora High School building.

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

**Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Webster County School District evaluated the activity of the district through March 9, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- On July 11, 2016 the board adopted a resolution to finance a \$700,000 Three Mill Note with Regions Bank. The loan accrues interest at an annual rate of interest of 1.87% and will mature on July 11, 2026.
- On September 12, 2016 the district financed a revenue shortfall loan in the amount of \$17,565 with the Bank of Kilmichael at an annual rate of interest of 2.25% and will mature on September 12, 2019.

**REQUIRED SUPPLEMENTARY INFORMATION**



**WEBSTER COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,030,970	\$ 3,153,286	\$ 3,144,755	\$ 122,316	\$ (8,531)
State sources	9,387,205	9,341,189	9,337,796	(46,016)	(3,393)
Federal sources	204,800	138,203	123,519	(66,597)	(14,684)
Sixteenth section sources	161,750	340,783	340,783	179,033	-
Total Revenues	12,784,725	12,973,461	12,946,853	188,736	(26,608)
<b>Expenditures:</b>					
Instruction	7,974,854	8,046,806	8,035,478	(71,952)	11,328
Support services	4,283,669	4,174,687	4,182,464	108,982	(7,777)
Sixteenth section	7,000	75,931	75,931	(68,931)	-
Facilities acquisition and construction	-	72,998	72,998	(72,998)	-
Total Expenditures	12,265,523	12,370,422	12,366,871	(104,899)	3,551
Excess (Deficiency) of Revenues over (under) Expenditures	519,202	603,039	579,982	83,837	(23,057)
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	33,493	32,560	32,560	(933)	-
Insurance recovery	-	476	476	476	-
Refunding bonds issued	-	9,920	-	9,920	(9,920)
Indirect costs	7,625	8,149	-	524	(8,149)
Operating transfers in	1,477,476	1,655,618	101,656	178,142	(1,553,962)
Other financing sources	-	-	-	-	-
Operating transfers out	(2,031,174)	(2,225,716)	(663,606)	(194,542)	1,562,110
Other financing uses	-	(3,331)	(3,331)	(3,331)	-
Total Other Financing Sources (Uses)	(512,580)	(522,324)	(532,245)	(9,744)	(9,921)
Net Change in Fund Balances	6,622	80,715	47,737	74,093	(32,978)
<b>Fund Balances:</b>					
July 1, 2015, as previously reported *	2,098,140	2,178,308	2,178,308	80,168	-
Prior period adjustments		11,924	11,924	11,924	-
July 1, 2015, as restated *	2,098,140	2,190,232	2,190,232	92,092	-
June 30, 2016	\$ 2,104,762	\$ 2,270,947	\$ 2,237,969	\$ 166,185	\$ (32,978)

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Title I-A Basic FY 16 Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 470,064	\$ 321,795	\$ 321,795	\$ (148,269)	\$ -
Total Revenues	470,064	321,795	321,795	(148,269)	-
<b>Expenditures:</b>					
Instruction	346,376	300,197	300,197	46,179	-
Support services	211,398	129,688	129,688	81,710	-
Noninstructional services	5,632	5,822	5,822	(190)	-
Total Expenditures	563,406	435,707	435,707	127,699	-
Excess (Deficiency) of Revenues over (under) Expenditures	(93,342)	(113,912)	(113,912)	(20,570)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	100,499	119,060	119,060	18,561	-
Operating transfers out	(7,266)	(5,148)	(5,148)	2,118	-
Total Other Financing Sources (Uses)	93,233	113,912	113,912	20,679	-
Net Change in Fund Balances	(109)	-	-	109	-
Fund Balances:					
July 1, 2015,	-	-	-	-	-
June 30, 2016	\$ (109)	\$ -	\$ -	\$ 109	\$ -

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**EWHS Disaster Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$	\$ 7,972	\$ 7,972	\$ 7,972	\$ -
Total Revenues	-	7,972	7,972	7,972	-
<b>Expenditures:</b>					
Support services		1,976	1,976	(1,976)	-
Facilities acquisition and construction	31,054	83,025	83,025	(51,971)	-
Total Expenditures	31,054	85,001	85,001	(53,947)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(31,054)	(77,029)	(77,029)	(45,975)	-
Net Change in Fund Balances	(31,054)	(77,029)	(77,029)	(45,975)	-
Fund Balances:					
July 1, 2015,	24,827	77,029	77,029	52,202	-
June 30, 2016	\$ (6,227)	\$ -	\$ -	\$ 6,227	\$ -

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule Of The District's Proportionate Share Of The Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years\***

	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	\$ 20,713,758	\$ 16,629,292
District's proportionate share of the net pension liability (asset)	0.134%	0.137%
District's covered-employee payroll	\$ 8,363,586	\$ 8,350,954
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	247.67%	199.13%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

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

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,383,657	\$ 1,317,264
Contribution in relation to the contractually required contribution	1,383,657	1,317,264
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered-employee payroll	8,785,129	8,363,586
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

There were no changes of benefit terms for the FYE 6/30/2016.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

**SUPPLEMENTARY INFORMATION**

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Supplementary Information**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 169,784
National school lunch program	10.555	604,384
Total child nutrition cluster		774,168
Total passed-through Mississippi Department of Education		774,168
<b>Total U.S. Department of Agriculture</b>		<b>774,168</b>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	99,252
<b>Total Federal Communications Commission</b>		<b>99,252</b>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	445,903
Career and technical education - basic grants to states	84.048	18,026
Rural education	84.358	31,850
Improving teacher quality-State Grants	84.367	119,060
Subtotal		614,839
Special education cluster:		
Special education - grants to states	84.027	516,408
Special education - preschool grants	84.173	13,941
Total special education cluster		530,349
Total passed-through Mississippi Department of Education		1,145,188
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	784
Total passed-through Mississippi Department of Rehabilitation Services		784
<b>Total U.S. Department of Education</b>		<b>1,145,972</b>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	9,456
Total Medicaid cluster		9,456
Total passed-through Mississippi Department of Education		9,456
<b>Total U.S. Department of Health and Human Services</b>		<b>9,456</b>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	7,972
Total passed-through Mississippi Emergency Management Agency		7,972
<b>Total Department of Homeland Security</b>		<b>7,972</b>
Total for All Federal Awards		<b>\$ 2,036,820</b>

The accompanying notes are an integral part of this schedule



**WEBSTER COUNTY SCHOOL DISTRICT**  
**Notes To Schedule of Expenditures of Federal Awards**

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of Webster County School District under programs of the federal and state governments for the year ended June 30, 2016. The schedule presents only a selected portion of the operations of Webster County School District and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

**Note 2 – Basis of Accounting**

The schedule is prepared on the same basis of accounting as Webster County School District's financial statements. The District uses the current financial resource measurement focus and the modified accrual basis of accounting.

**Note 3 – Program Costs**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

**Note 4 – Noncash Awards – Commodities**

The amount of donated commodities reported on the schedule is the value of donated commodities received by the district and reported under the National School Lunch Program CFDA # 10.555. The value of the commodities received during the fiscal year was \$75,124.

**Note 5 – Indirect Cost Rate**

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Supplementary Information**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2016**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,964,120	9,250,829	618,362	834,901	1,260,028
Other	4,747,882	1,401,184	210,059	34,295	3,102,344
Total	<u>\$ 16,712,002</u>	<u>10,652,013</u>	<u>828,421</u>	<u>869,196</u>	<u>4,362,372</u>
Total number of students *	<u>1,830</u>				
Cost per student	<u>\$ 9,132</u>	<u>5,821</u>	<u>453</u>	<u>475</u>	<u>2,384</u>

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

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

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

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

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

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

**OTHER INFORMATION**

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

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 3,144,755	\$ 3,083,722	\$ 2,954,607	\$ 2,705,373
State sources	9,337,796	8,794,125	7,738,086	7,444,032
Federal sources	123,519	161,832	158,330	168,160
Sixteenth section sources	340,783	167,648	-	-
Total Revenues	12,946,853	12,207,327	10,851,023	10,317,565
<b>Expenditures:</b>				
Instruction	8,035,478	7,715,291	7,491,800	7,337,997
Support services	4,182,464	3,863,242	3,622,703	3,699,521
Noninstructional services	-	10,397	6,453	6,787
Sixteenth section	75,931	653	-	-
Facilities acquisition and construction	72,998	-	61,389	27,244
Total Expenditures	12,366,871	11,589,583	11,182,345	11,071,549
Excess (Deficiency) of Revenues over (under) Expenditures	579,982	617,744	(331,322)	(753,984)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	32,560	22,511	179,609	-
Insurance recovery	476	-	-	7,553
Operating transfers in	101,656	55,055	1,000,746	167,970
Operating transfers out	(663,606)	(624,402)	(615,585)	(187,818)
Other financing uses	(3,331)	-	-	(167,475)
Total Other Financing Sources (Uses)	(532,245)	(546,836)	564,770	(179,770)
Net Change in Fund Balances	47,737	70,908	233,448	(933,754)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,178,308	913,021	679,573	1,613,327
Prior period adjustments	11,924	19,443	-	-
Fund balance reclassification	-	1,174,936	-	-
Beginning of period, as restated	2,190,232	2,107,400	679,573	1,613,327
End of Period	\$ 2,237,969	\$ 2,178,308	\$ 913,021	\$ 679,573

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 3,440,630	\$ 3,378,485	\$ 3,242,265	\$ 3,019,903
State sources	10,555,857	10,018,828	9,043,269	9,478,910
Federal sources	2,106,938	2,128,400	3,472,330	2,644,751
Sixteenth section sources	366,301	177,033	169,149	303,314
Total Revenues	16,469,726	15,702,746	15,927,013	15,446,878
<b>Expenditures:</b>				
Instruction	9,625,837	9,407,279	9,155,192	9,091,094
Support services	5,187,581	4,871,381	5,209,352	5,167,053
Noninstructional services	991,128	949,951	910,582	893,950
Sixteenth section	109,425	44,690	26,344	32,289
Facilities acquisition and construction	340,708	992,032	3,828,392	6,200,384
Debt service:				
Principal	352,131	1,688,461	482,200	411,322
Interest	104,349	171,282	116,370	152,752
Other	843	576	500	20,745
Total Expenditures	16,712,002	18,125,652	19,728,932	21,969,589
Excess (Deficiency) of Revenues over (under) Expenditures	(242,276)	(2,422,906)	(3,801,919)	(6,522,711)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	32,560	22,511	1,529,609	-
Insurance recovery	476	-	-	7,553
Refunding bonds issued	-	-	-	1,591,000
Payment to escrow agent	-	-	-	(1,555,000)
Payment to refunded bond escrow agent	(106,000)	(106,000)	(106,000)	(106,000)
Operating transfers in	884,322	1,953,544	1,616,331	462,288
Other financing sources	106,000	106,000	106,000	106,000
Operating transfers out	(884,322)	(1,953,544)	(1,616,331)	(462,288)
Other financing uses	(3,331)		(351)	(167,475)
Total Other Financing Sources (Uses)	29,705	22,511	1,529,258	(123,922)
Extraordinary items,	299,792	175,283	2,814,399	943,612
Net Change in Fund Balances	87,221	(2,225,112)	541,738	(5,703,021)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	3,297,630	5,434,594	4,899,095	10,604,619
Prior period adjustments	11,924	78,930	-	-
Beginning of period, as restated	3,309,554	5,513,524	4,899,095	10,604,619
Increase (Decrease) in reserve for inventory	(12,418)	9,218	(6,239)	(2,503)
End of Period	\$ 3,384,357	\$ 3,297,630	\$ 5,434,594	\$ 4,899,095

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



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

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Staggers, CPA  
Michael W. McCully, CPA  
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Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA

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

To the Superintendent and School Board  
Webster County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webster County School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Webster County School District's basic financial statements and have issued our report thereon dated March 9, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. **Finding 2016-1 and Finding 2016-2**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Webster County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Webster County School District's Responses to Findings**

Webster County School District's responses to the findings identified in our audit are described in the accompanying Auditees' corrective action plan. Webster County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 9, 2017

*Watkins Ward and Stafford, PLLC*





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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Superintendent and School Board  
Webster County School District

**Report on Compliance for Each Major Federal Program**

We have audited the Webster County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Webster County School District's major federal programs for the year ended June 30, 2016. Webster County School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Webster County School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Webster County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Webster County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of the Webster County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Webster County School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Webster County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as **Findings 2016-3**, we consider to be a significant deficiency.

### Webster County School District's Response to Finding

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 9, 2017

*Watkins Ward and Stafford, PLLC*

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



# WATKINS, WARD and STAFFORD

Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the 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, 2016, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated March 9, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Public Depositors Annual Report Should Be Submitted to the Mississippi Treasury Department Within 30 Days of Fiscal Year End

Finding

Section 27-105-5, Miss Code Ann. (1972) requires that a public depositor not later than thirty (30) days following its fiscal year end shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end.

During our testing of compliance with Section 27-105-5, Miss Code Ann. (1972) we noted the public depositors annual report was not submitted to the Mississippi Treasury Department until August 9, 2016 after the 30 day deadline.

Recommendation

We recommend the district comply with Section 27-105-5, Miss Code Ann. (1972) and submit its public depositors annual report no later than thirty (30) days following its fiscal year end.

School District's Response

We will comply with Section 27-105-5, Miss Code Ann. (1972) and submit its public depositors annual report no later than thirty (30) days following its fiscal year end.

2. Education Enhancement Funds Should Be Allocated Equally Among Teachers But Should Not Be Allocated to Federally Funded Teachers

Finding

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), specifies, "...local school districts shall allocate classroom supply funds equally among all classroom teachers in the school district." It also defines "teacher" as "...an employee of the school board of a school district who is required by law to obtain a teacher's license from the State Department of Education and who is assigned to an instructional area of work as defined by the department, but shall not include a federally-funded teacher."

During our test work, we identified one teacher who was federally funded and who was also being allocated Education Enhancement Funds, which is prohibited by Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

The noncompliance occurred because the District did not follow the restrictions of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

Recommendation

We recommend the District comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires that education enhancement funds be allocated equally among classroom teachers, but shall not include federally funded teachers.

School District's Response

We will comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires that education enhancement funds be allocated equally among classroom teachers, but shall not include federally funded teachers.

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

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 9, 2017

*Watkins Ward and Stafford, PLLC*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30,2016**

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- |  |            |
|--|------------|
| 4. Internal control over major programs:   |            |
| a. Material weakness(es) identified? (Yes/No)  | No         |
| b. Significant deficiency(ies) identified? (Yes/None reported)   | Yes        |
|  |            |
| 5. Type of auditor's report issued on compliance for major programs:   | Unmodified |
|  |            |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | Yes        |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
|   |           |
| 9. Auditee qualified as low-risk auditee? (yes/no)                          | Yes       |



## Section II: Financial Statement Findings

### **Significant Deficiencies Considered To Be A Material Weakness**

#### **Finding 2016-1 Internal Controls Over General Disbursements Should Be Strengthened**

As noted in the prior year, per our testing of general disbursements we noted the following control deficiencies:

- We also noted 9 occasions where a purchase order was not signed by the superintendent of education to document approval of the applicable transaction.
- We noted 7 occasions where there was inadequate receiving documentation for goods and services.

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

#### Recommendation

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

#### **Finding 2016-2 Internal Controls Over Activity Fund Receipts Should Be Strengthened**

As noted in the prior year controls over activity fund receipts should be strengthened. During our testing of activity fund receipts we noted the following deficiencies:

##### Eupora High School

- We noted that receipts are not being deposited within one business day on a consistent basis. We tested the month of October 2015 and noted that almost all of the receipts were deposited late. All were deposited intact however most were deposited at least one day late.
- We also noted that athletic event gate change is not being redeposited with the gate receipts and there is no general ledger accounting to set aside these amounts as petty cash so that central office personnel can track these funds to ensure that all gate receipts and petty cash are being properly accounted for.

##### East Webster High School

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

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

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

#### Recommendation

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

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

#### **Significant Deficiency**

#### **Finding 2016-3 Controls Over Completion of Semi-Annual Certifications For Personnel Considered To Be Employed Under A Single Cost Objective Should Be Strengthened**

Program: Special Education Cluster, Passed-through the Mississippi Department of Education-CFDA 84.027, 84.173

Compliance requirement: Allowable Costs / Cost Principles

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

During our tests of controls related to Special Education payroll expenditures, we noted the following deficiency:

- We noted that a semi-annual certification was not prepared in one instance for staff that was employed under one single federal cost objective.

#### **Recommendation**

We recommend the district implement controls and procedures to ensure that all personnel employed out of single federal cost objective complete a semi-annual certification to properly document time and effort under requirements of the Uniform Guidance.

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

# **Webster County Schools**

PHONE 662-258-5921, EXT. 23 - FAX 662-258-3134  
95 CLARK AVENUE - EUPORA, MS 39744

## **FINANCIAL COMPLIANCE AND AUDIT DIVISION**

As required by Section \_2 CFR 200.516(a) of the Uniform Guidance 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, 2016.

### **CORRECTIVE ACTION PLAN DETAILS**

- |                   |  |
|-------------------|--|
| Finding<br>2016-1 | <p>A. Superintendent - Michael Adkins<br/>Business Administrator – Angela Avent-White</p> <p>B. The District will strengthen its internal controls over the accounts payable function. Before any expenditure is paid, the supporting documentation for the transaction will be reviewed to insure that a properly approved purchase order was prepared before the actual purchase and there is adequate documentation noting that the applicable goods or services were actually received.</p> <p>C. Anticipated Completion Date: October 1, 2016</p> |
| Finding<br>2016-2 | <p>A. Superintendent - Michael Adkins<br/>Business Administrator – Angela Avent-White</p> <p>B. Administrative personnel at both high schools will be instructed to deposit all funds received in the applicable principal's office within one business day. We will also review our tracking of cash held for athletic events to insure there is proper accounting of these funds.</p> <p>C. Anticipated Completion Date: October 1, 2016</p>   |

Finding  
2016-3

- A. Superintendent - Michael Adkins  
Business Administrator – Angela Avent-White
- B. Semi-Annual Certification requirements will be reviewed with the Special Education Director and personnel and proper controls will be put in place to insure future compliance.
- C. Anticipated Completion Date: October 1, 2016

# Webster County Schools

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

95 CLARK AVENUE – EUPORA, MS 39744

## **SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

### **Financial and Compliance Audit Division**

As required by Section \_\_\_\_\_.2 CFR 200.516(a) of the Uniform Guidance, Webster County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2016:

<u>Finding</u>	<u>Status</u>
2015-1	Corrected
2015-2	Not Corrected
2015-3	Corrected
2015-4	Not Corrected

Sincerely,

Michael Adkins, Superintendent