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WEBSTER COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2017**

WEBSTER COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Webster County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2017, 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, 2017, 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 5-13, 45, 46 and 47, 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* (CFR) 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* (CFR) 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 22, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Webster County School District's 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 22, 2018

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, 2017

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, 2017. 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 2017 decreased \$1,451,649, including a prior period adjustment of \$12,920, which represents a 120% decrease from fiscal year 2016. 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.
- General revenues amounted to \$12,603,841 and \$12,865,408, or 79% and 78% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,424,505, or 21% of total revenues for 2017, and \$3,540,801, or 22% of total revenues for 2016.
- The District had \$17,492,915 and \$17,006,216 in expenses for fiscal years 2017 and 2016; only \$3,424,505 for 2017 and \$3,540,801 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,603,841 for 2017 and \$12,865,408 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$12,630,901 in revenues and \$11,861,330 in expenditures for 2017, and \$12,946,853 in revenues and \$12,366,871 in expenditures in 2016. The General Fund's fund balance increased by \$738,414 from 2016 to 2017 which included a prior period adjustment of \$12,920, and increased by \$59,661 from 2015 to 2016, which included a prior period adjustment of \$11,924.
- Capital assets, net of accumulated depreciation, decreased by \$184,363 for 2017 and decreased by \$175,701 for 2016. The decrease for 2017 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$348,134 for 2017 and decreased by \$329,729 for 2016. This increase for 2017 was due primarily to the issuance of a limited tax note. The liability for compensated absences decreased by \$2,559 for 2017 and decreased by \$10,158 for 2016.

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, 2017

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, 2017

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.

A net pension liability results in a liability on the government-wide financial statements but is not reported on 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.

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, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$242,763 as of June 30, 2017.

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, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 3,479,466	\$ 2,895,320	20.18 %
Restricted assets	884,948	764,380	15.77 %
Capital assets, net	18,108,625	18,292,988	(1.01) %
Total assets	<u>22,473,039</u>	<u>21,952,688</u>	2.37 %
 Deferred outflows of resources	 <u>5,160,085</u>	 <u>4,864,924</u>	 6.07 %
 Current liabilities	 226,445	 271,638	 (16.64) %
Long-term debt outstanding	2,873,850	2,528,275	13.67 %
Net pension liability	24,530,031	20,713,758	18.42 %
Total liabilities	<u>27,630,326</u>	<u>23,513,671</u>	17.51 %
 Deferred inflows of resources	 <u>245,561</u>	 <u>2,095,055</u>	 (88.28) %
 Net position:			
Net investment in capital assets	15,420,625	16,014,988	(3.71) %
Restricted	1,159,517	1,150,093	0.82 %
Unrestricted	(16,822,905)	(15,956,195)	(5.43) %
Total net position	<u>\$ (242,763)</u>	<u>\$ 1,208,886</u>	(120.08) %

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)	\$(16,822,905)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	19,615,507
Unrestricted net position, exclusive of the net pension liability effect	<u>\$2,792,602</u>

WEBSTER COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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 \$184,363.
- The principal retirement of \$369,431 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$16,028,346 and \$16,406,209, respectively. The total cost of all programs and services was \$17,492,915 for 2017 and \$17,006,216 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 870,860	\$ 890,030	(2.15) %
Operating grants and contributions	2,553,645	2,634,979	(3.09) %
Capital Grants and Contributions	-	15,792	(100.00) %
General revenues:			
Property taxes	2,615,092	2,404,848	8.74 %
Grants and contributions not restricted	9,697,052	10,012,024	(3.15) %
Investment earnings	15,770	11,216	40.60 %
Sixteenth section sources	186,184	339,395	(45.14) %
Other	89,743	97,925	(8.36) %
Total revenues	16,028,346	16,406,209	(2.30) %
Expenses:			
Instruction	8,610,482	9,024,748	(4.59) %
Support services	4,767,922	4,916,181	(3.02) %
Non-instructional	957,844	998,629	(4.08) %
Sixteenth section	16,341	109,425	(85.07) %
Pension expense	3,030,365	1,854,700	63.39 %
Interest on long-term liabilities	109,961	102,533	7.24 %
Total expenses	17,492,915	17,006,216	2.86 %
Extraordinary Items	-	299,792	(100.00) %
Increase (Decrease) in net position	(1,464,569)	(300,215)	(387.84) %
Net Position, July 1, as previously reported	1,208,886	1,497,177	(19.26) %
Prior Period Adjustment	12,920	11,924	8.35 %
Net Position, July 1, as restated	1,221,806	1,509,101	(19.04) %
Net Position, June 30	\$ (242,763)	\$ 1,208,886	(120.08) %

WEBSTER COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

	Total Expenses		Percentage
	2017	2016	Change
Instruction	\$ 8,610,482	\$ 9,024,748	(4.59) %
Support services	4,767,922	4,916,181	(3.02) %
Non-instructional	957,844	998,629	(4.08) %
Sixteenth section	16,341	109,425	(85.07) %
Pension Expense	3,030,365	1,854,700	63.39 %
Interest on long-term liabilities	109,961	102,533	7.24 %
Total expenses	\$ 17,492,915	\$ 17,006,216	2.86 %

	Net (Expense) Revenue		Percentage
	2017	2016	Change
Instruction	\$ (7,084,802)	\$ (7,323,039)	3.25 %
Support services	(3,929,139)	(4,177,137)	5.94 %
Non-instructional	15,104	(4,867)	410.33 %
Sixteenth section	(10,104)	(84,083)	87.98 %
Pension Expense	(3,030,365)	(1,854,700)	63.39 %
Interest on long-term liabilities	(29,104)	(21,589)	34.81 %
Total net (expense) revenue	\$ (14,068,410)	\$ (13,465,415)	4.48 %

- Net cost of governmental activities (\$14,068,410 for 2017 and \$13,465,415 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$2,615,092 for 2017 and \$2,404,848 for 2016) and state and federal revenues (\$9,697,052 for 2017 and \$10,012,024 for 2016). In addition, there was \$186,184 and \$339,395 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$15,770 for 2017 and \$11,216 for 2016.

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, 2017

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,167,985, an increase of \$783,628, which includes a prior period adjustment of \$12,920 and a decrease in inventory of \$3,776. \$2,722,796 or 65% 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 \$1,445,189 or 35% 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 \$738,414, which includes a prior period adjustment of \$12,920. The fund balance of Other Governmental Funds showed a decrease in the amount of \$72,485, which includes a decrease in reserve for inventory of \$3,776. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
EWHS Disaster	no increase or decrease
QSCB Bond Retirement	\$ 117,699

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 is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$26,357,016, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$219,328 from 2016. Total accumulated depreciation as of June 30, 2017, was \$8,248,391, and total depreciation expense for the year was \$587,920, resulting in total net capital assets of \$18,108,625.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 214,048	\$ 214,048	0.00 %
Buildings	14,909,094	15,277,296	(2.41) %
Building improvements	1,354,260	1,369,316	(1.10) %
Improvements other than buildings	896,382	943,703	(5.01) %
Mobile equipment	682,639	419,547	62.71 %
Furniture and equipment	52,202	69,078	(24.43) %
Total	<u>\$ 18,108,625</u>	<u>\$ 18,292,988</u>	<u>(1.01) %</u>

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, 2017

Debt Administration. At June 30, 2017, the District had \$ 2,873,850 in outstanding long-term debt, of which \$568,315 is due within one year. The liability for compensated absences decreased \$2,559 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 488,000	\$ 778,000	(37.28) %
Three mill notes payable	700,000	-	N/A %
Shortfall notes payable	47,222	109,088	(56.71) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	138,628	141,187	(1.81) %
Total	<u>\$ 2,873,850</u>	<u>\$ 2,528,275</u>	13.67 %

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.

BASIC FINANCIAL STATEMENTS

WEBSTER COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,881,418
Due from other governments	486,705
Other receivables, net	77,348
Inventories	33,995
Restricted assets	884,948
Capital assets, non-depreciable:	
Land	214,048
Capital assets, net of accumulated depreciation:	
Buildings	14,909,094
Building improvements	1,354,260
Improvements other than buildings	896,382
Mobile equipment	682,639
Furniture and equipment	52,202
Total Assets	<u>22,473,039</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	5,160,085
Total Deferred Outflows of Resources	<u>5,160,085</u>
Liabilities	
Accounts payable and accrued liabilities	173,866
Interest payable on long-term liabilities	52,579
Long-term liabilities, due within one year:	
Capital related liabilities	544,000
Non-capital related liabilities	24,315
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,144,000
Non-capital related liabilities	161,535
Net pension liability	24,530,031
Total Liabilities	<u>27,630,326</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	245,561
Total Deferred Inflows of Resources	<u>245,561</u>
Net Position	
Net investment in capital assets	15,420,625
Restricted for:	
Expendable:	
School-based activities	44,735
Debt service	957,098
Capital improvements	17,206
Forestry improvements	86,789
Unemployment benefits	42,155
Non-expendable:	
Sixteenth section	11,534
Unrestricted	(16,822,905)
Total Net Position (Deficit)	<u>\$ (242,763)</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, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in Net
			Contributions	Position
				Governmental
				Activities
Governmental Activities:				
Instruction	\$ 8,610,482	\$ 564,444	\$ 961,236	\$ (7,084,802)
Support services	4,767,922	-	838,783	(3,929,139)
Non-instructional	957,844	300,179	672,769	15,104
Sixteenth section	16,341	6,237	-	(10,104)
Pension expense	3,030,365	-	-	(3,030,365)
Interest on long-term liabilities	109,961	-	80,857	(29,104)
Total Governmental Activities	<u>\$ 17,492,915</u>	<u>\$ 870,860</u>	<u>\$ 2,553,645</u>	<u>\$ (14,068,410)</u>
General Revenues:				
Taxes:				
General purpose levies				2,517,058
Debt purpose levies				98,034
Unrestricted grants and contributions:				
State				9,503,570
Federal				193,482
Unrestricted investment earnings				15,770
Sixteenth section sources				186,184
Other				89,743
Total General Revenues				<u>12,603,841</u>
Change in Net Position				<u>(1,464,569)</u>
Net Position - Beginning, as previously reported				1,208,886
Prior Period Adjustment				12,920
Net Position - Beginning				<u>1,221,806</u>
Net Position - Ending				<u>\$ (242,763)</u>

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

WEBSTER COUNTY SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

Exhibit C

	Major Funds			Other	Total
	General	EWHS	QSCB Bond	Governmental	Governmental
	Fund	Disaster	Retirement	Funds	Funds
	Fund	Fund	Fund	Funds	Funds
Assets:					
Cash and cash equivalents	\$ 2,520,776	\$ 35,870	\$ 1,098	\$ 335,219	\$ 2,892,963
Cash with fiscal agents	-	-	6,331	155,184	161,515
Investments	-	-	555,500	-	555,500
Due from other governments	190,866	114,518	-	313,662	619,046
Accrued interest receivable	-	-	1,484	-	1,484
Other receivables, net	1,871	-	-	-	1,871
Due from other funds	403,591	-	-	3,050	406,641
Inventories	-	-	-	33,995	33,995
Total Assets	\$ 3,117,104	\$ 150,388	\$ 564,413	\$ 841,110	\$ 4,673,015
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 136,018	\$ -	\$ -	\$ 37,848	\$ 173,866
Due to other funds	4,703	150,388	-	176,073	331,164
Total Liabilities	\$ 140,721	\$ 150,388	\$ -	\$ 213,921	\$ 505,030
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	33,995	33,995
Permanent fund principal	-	-	-	11,534	11,534
Restricted:					
Debt service	-	-	564,413	425,751	990,164
Capital projects	-	-	-	17,206	17,206
Forestry improvement purposes	-	-	-	86,789	86,789
Grant activities	-	-	-	10,740	10,740
Unemployment benefits	-	-	-	42,155	42,155
Assigned:					
Activity funds	250,608	-	-	-	250,608
Other	1,998	-	-	-	1,998
Unassigned	2,723,777	-	-	(981)	2,722,796
Total Fund Balances	2,976,383	-	564,413	627,189	4,167,985
Total Liabilities and Fund Balances	\$ 3,117,104	\$ 150,388	\$ 564,413	\$ 841,110	\$ 4,673,015

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, 2017

Total fund balances for governmental funds \$ 4,167,985

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	1,618,900	
Improvements other than buildings	1,210,869	
Mobile equipment	2,267,013	
Furniture and equipment	726,035	
Accumulated depreciation	(8,248,391)	18,108,625

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. 22,563

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

Net pension liability	(24,530,031)
-----------------------	--------------

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

Deferred outflows of resources related to pensions	5,160,085	
Deferred inflows of resources related to pensions	(245,561)	(19,615,507)

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	\$ (488,000)	
Three mill notes payable	(700,000)	
Shortfall notes payable	(47,222)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(138,628)	
Accrued interest payable	(52,579)	(2,926,429)

Net position of governmental activities \$ (242,763)

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

WEBSTER COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2017

	Major Funds				
	General Fund	EWHS Disaster Fund	QSCB Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 3,293,275	\$ -	\$ 11,699	\$ 302,855	\$ 3,607,829
State sources	8,948,264	-	-	1,206,543	10,154,807
Federal sources	201,723	-	80,857	1,813,311	2,095,891
Sixteenth section sources	187,639	-	-	6,392	194,031
Total Revenues	12,630,901	-	92,556	3,329,101	16,052,558
Expenditures:					
Instruction	7,662,516	-	-	1,517,173	9,179,689
Support services	4,191,761	-	-	1,175,443	5,367,204
Noninstructional services	6,003	-	-	956,519	962,522
Sixteenth section	1,050	-	-	15,291	16,341
Debt service:					
Principal	-	-	-	369,431	369,431
Interest	-	-	86,850	11,391	98,241
Other	-	-	1,111	1,100	2,211
Total Expenditures	11,861,330	-	87,961	4,046,348	15,995,639
Excess (Deficiency) of Revenues over (under) Expenditures	769,571	-	4,595	(717,247)	56,919
Other Financing Sources (Uses):					
Bonds and notes issued	717,565	-	-	-	717,565
Payment to refunded bond escrow agent	-	-	(106,000)	-	(106,000)
Operating transfers in	114,860	-	113,104	763,398	991,362
Other financing sources	-	-	106,000	-	106,000
Operating transfers out	(876,502)	-	-	(114,860)	(991,362)
Total Other Financing Sources (Uses)	(44,077)	-	113,104	648,538	717,565
Net Change in Fund Balances	725,494	-	117,699	(68,709)	774,484
Fund Balances:					
July 1, 2016, as previously reported	2,237,969	-	446,714	699,674	3,384,357
Prior period adjustments	12,920	-	-	-	12,920
July 1, 2016, as restated	2,250,889	-	446,714	699,674	3,397,277
Increase (Decrease) in reserve for inventory	-	-	-	(3,776)	(3,776)
June 30, 2017	\$ 2,976,383	\$ -	\$ 564,413	627,189	\$ 4,167,985

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

WEBSTER COUNTY SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2017

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 774,484**

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	\$ 424,070	
Depreciation expense	<u>(587,920)</u>	(163,850)

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. (20,513)

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

Bonds and notes issued	(717,565)	
Payments of debt principal	369,431	
Accrued interest payable	<u>(9,509)</u>	(357,643)

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 are listed below:

Recording of contributions made subsequent to the measurement date	1,358,747	
Recording of pension expense for the current period	<u>(3,030,365)</u>	(1,671,618)

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	(24,212)	
Change in compensated absences	2,559	
Change in inventory reserve	<u>(3,776)</u>	(25,429)

Change in net position of governmental activities **\$ (1,464,569)**

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, 2017

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 71	\$ 875,364
Due from other funds	-	1,653
Due from other governments	-	306
Total Assets	<u>\$ 71</u>	<u>\$ 877,323</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 693,604
Due to other funds	-	77,130
Due to student clubs	-	106,589
Total Liabilities	<u>\$ -</u>	<u>\$ 877,323</u>
Net Position:		
Reserved for endowments	71	
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, 2017

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	
Contributions and donations from private sources	\$ 500
Total Additions	<u>500</u>
Deductions	
Scholarships awarded	<u>500</u>
Total Deductions	<u>500</u>
Net Position	
June 30, 2016	<u>71</u>
June 30, 2017	<u><u>\$ 71</u></u>

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.

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.

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

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.

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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 School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	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.

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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 13 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 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

11. Fund Balances

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

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

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

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

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

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

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

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

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,892,963 and \$875,435, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$161,515.

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Investments

As of June 30, 2017, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government securities	AAA	10-15	\$ 555,500
Total			<u>\$ 555,500</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, 2017:

- U.S. Government Securities type of investments of \$555,500 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, 2017, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	EWHS Disaster Fund	\$ 150,388
	Other Governmental Funds	176,073
	Agency Fund	77,130
Other Governmental Funds	General Fund	3,050
Agency Fund	General Fund	1,653
Total		<u>\$ 408,294</u>

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	QSCB Bond Retirement Fund	\$ 113,104
	Other Governmental Funds	763,398
Other Governmental Funds	General Fund	114,860
Total		<u>\$ 991,362</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 \$11,534 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, cash with fiscal agents, investments and accrued interest balance, totaling \$1,098, \$6,331, \$555,500 and \$1,484, respectively, of the QSCB Bond Retirement Fund.

In addition, the restricted assets represents the cash with fiscal agents and due from other governments balance, totaling \$155,184 and \$153,817, respectively, of the MAEP Limited Obligation Bond/Note Fund.

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
<u>Non-depreciable capital assets</u>				
Land	\$ 214,048	\$ -	\$ -	\$ 214,048
Total Non-depreciable capital assets	214,048	-	-	214,048
<u>Depreciable Capital assets</u>				
Buildings	20,320,151	-	-	20,320,151
Building Improvements	1,569,200	49,700	-	1,618,900
Improvements Other Than Buildings	1,210,869	-	-	1,210,869
Mobile Equipment	2,091,960	374,370	(199,317)	2,267,013
Furniture and Equipment	731,460	-	(5,425)	726,035
Total Depreciable capital assets	25,923,640	424,070	(204,742)	26,142,968
<u>Accumulated Depreciation</u>				
Buildings	5,042,855	368,202	-	5,411,057
Building Improvements	199,884	64,756	-	264,640
Improvements Other Than Buildings	267,166	47,321	-	314,487
Mobile Equipment	1,672,413	90,819	(178,858)	1,584,374
Furniture and Equipment	662,382	16,822	(5,371)	673,833
Total Accumulated depreciation	7,844,700	587,920	(184,229)	8,248,391
Total Depreciable capital assets, net	18,078,940	(163,850)	(20,513)	17,894,577
Total Capital Assets, net	\$ 18,292,988	\$ (163,850)	\$ (20,513)	\$ 18,108,625

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 408,074
Support services	141,991
Non-instructional	37,855
Total depreciation expense - Governmental activities	\$ 587,920

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 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Limited obligation bonds payable	\$ 778,000	\$ -	\$ 290,000	\$ 488,000	\$ 488,000
B. Three mill notes payable	-	700,000	-	700,000	56,000
C. Shortfall notes payable	109,088	17,565	79,431	47,222	24,315
D. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
E. Compensated absences payable	141,187	-	2,559	138,628	-
Total	\$ 2,528,275	\$ 717,565	\$ 371,990	\$ 2,873,850	\$ 568,315

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	\$ 488,000

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
2018	\$ 488,000	\$ 8,132	\$ 496,132
Total	\$ 488,000	\$ 8,132	\$ 496,132

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.

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2016	1.87%	7/15/2016	7/15/2026	\$700,000	\$700,000

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

Three mill notes payable issue of 7/15/2016:

Year Ending June 30	Principal	Interest	Total
2018	\$ 56,000	\$ 13,090	\$ 69,090
2019	58,000	12,043	70,043
2020	65,000	10,958	75,958
2021	68,000	9,743	77,743
2022	70,000	8,471	78,471
2023 – 2027	383,000	21,973	404,973
Total	\$ 700,000	\$ 76,278	\$ 776,278

This debt will be retired from the General Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note, Series 2014	3.15%	10/9/2014	10/9/2017	\$ 22,511	\$ 7,738
2. Revenue Shortfall Note, Series 2015	1.99%	10/9/2015	10/9/2018	32,560	21,919
3. Revenue Shortfall Note, Series 2016	2.25%	9/23/2016	9/23/2019	17,565	17,565
Total				\$ 72,636	\$ 47,222

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 7,738	\$ 244	\$ 7,982
Total	\$ 7,738	\$ 244	\$ 7,982

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

2. Shortfall notes payable issue of 10/9/2105:

Year Ending June 30	Principal	Interest	Total
2018	\$ 10,851	\$ 436	\$ 11,287
2019	11,068	220	11,288
Total	\$ 21,919	\$ 656	\$ 22,575

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

3. Shortfall notes payable issue of 9/23/2106:

Year Ending June 30	Principal	Interest	Total
2018	\$ 5,726	\$ 394	\$ 6,120
2019	5,853	267	6,120
2020	5,986	135	6,121
Total	\$ 17,565	\$ 796	\$ 18,361

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 24,315	\$ 1,074	\$ 25,389
2019	16,921	487	17,408
2020	5,986	135	6,121
Total	\$ 47,222	\$ 1,696	\$ 48,918

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

D. 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
2018	\$ -	\$ 86,850	\$ 86,850
2019	-	86,850	86,850
2020	-	86,850	86,850
2021	-	86,850	86,850
2022	-	86,850	86,850
2023 – 2026	<u>1,500,000</u>	<u>347,400</u>	<u>1,847,400</u>
Total	<u>\$ 1,500,000</u>	<u>\$ 781,650</u>	<u>\$ 2,281,650</u>

E. 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, 2017 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, 2017, 2016 and 2015 were \$1,358,747, \$1,383,657 and \$1,317,264, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$24,530,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was .137327 percent, which was based on a measurement date of June 30, 2016. This was an increase of .003455 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

For the year ended June 30, 2017, the District recognized pension expense of \$3,030,365. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 679,028	\$ -
Net difference between projected and actual earnings on pension plan investments	1,642,099	-
Changes of assumptions	1,128,382	65,184
Changes in proportion and differences between District contributions and proportionate share of contributions	351,829	180,377
District contributions subsequent to the measurement date	1,358,747	-
Total	\$ <u>5,160,085</u>	\$ <u>245,561</u>

\$1,358,747 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, 2018. 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 Ending June 30:	
2018	\$ 1,203,718
2019	946,071
2020	921,396
2021	484,592

Actuarial assumptions. The total pension liability in the June 30, 2016 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

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, 2016 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:

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

<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. 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 the current employer contribution 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 members. 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	\$ 31,453,000	\$ 24,530,031	\$ 18,786,211

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
2018	\$ 111,798
2019	107,658
2020	98,169
2021	15,434
2022	3,742
2023 – 2027	14,835
2028 – 2032	175
2033 – 2037	175
2038 – 2042	175
Total	<u>\$ 352,161</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	\$ 12,920
Total	<u>\$ 12,920</u>

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

Fund	Explanation	Amount
General Fund	Error in prior year receivables	\$ 12,920
Total		<u>\$ 12,920</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, 2017, the subsidy payments amounted to \$80,857.

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Financial Statements

The school district makes equal annual payments into a sinking fund which is used to pay off 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, 2017 was \$561,831. These funds are reported as investments of \$555,500 and cash with fiscal agents of \$6,331. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to 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
2018	\$ 106,000
2019	106,000
2020	106,000
2021	106,000
2022	106,000
2023 – 2026	424,000
Total	<u>\$ 954,000</u>

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(16,822,905) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$5,160,085 balance of the deferred outflow of resources at June 30, 2017, will be recognized as expenses and decrease unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(16,822,905) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pension. The \$245,561 balance of deferred inflow of resources at June 30, 2017, will be recognized as revenue and increase unrestricted net position over the next 3 years.

Note 14 - 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 22, 2018, (the date the financial statements were available to be issued), and determined that there were no subsequent events that would require disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEBSTER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,053,480	\$ 3,293,680	\$ 3,293,275	\$ 240,200	\$ (405)
State sources	9,039,538	8,948,765	8,948,264	(90,773)	(501)
Federal sources	125,071	201,723	201,723	76,652	-
Sixteenth section sources	171,500	187,639	187,639	16,139	-
Total Revenues	12,389,589	12,631,807	12,630,901	242,218	(906)
Expenditures:					
Instruction	7,611,654	7,668,336	7,662,516	(56,682)	5,820
Support services	4,781,332	4,190,666	4,191,761	590,666	(1,095)
Noninstructional services	80,000	-	6,003	80,000	(6,003)
Sixteenth section	7,100	1,050	1,050	6,050	-
Total Expenditures	12,480,086	11,860,052	11,861,330	620,034	(1,278)
Excess (Deficiency) of Revenues over (under) Expenditures	(90,497)	771,755	769,571	862,252	(2,184)
Other Financing Sources (Uses):					
Bonds and notes issued	700,000	717,565	717,565	17,565	-
Operating transfers in	1,301,664	1,560,825	114,860	259,161	(1,445,965)
Operating transfers out	(1,815,113)	(2,326,926)	(876,502)	(511,813)	1,450,424
Total Other Financing Sources (Uses)	186,551	(48,536)	(44,077)	(235,087)	4,459
Net Change in Fund Balances	96,054	723,219	725,494	627,165	2,275
Fund Balances:					
July 1, 2016, as previously reported	2,048,997	2,237,969	2,237,969	188,972	-
Prior period adjustments	-	11,343	12,920	11,343	1,577
July 1, 2016, as restated	2,048,997	2,249,312	2,250,889	200,315	1,577
June 30, 2017	\$ 2,145,051	\$ 2,972,531	\$ 2,976,383	\$ 827,480	\$ 3,852

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*

	2017	2016	2015
District's proportion of the net pension liability	\$ 24,530,031	\$ 20,713,758	\$ 16,629,292
District's proportionate share of the net pension liability (asset)	0.137327%	0.133872%	0.136665%
District's covered-employee payroll	\$ 8,785,129	\$ 8,363,586	\$ 8,350,954
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.67%	199.13%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,358,747	\$ 1,383,657	\$ 1,317,264
Contribution in relation to the contractually required contribution	1,358,747	1,383,657	1,317,264
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	8,626,965	8,785,129	8,363,586
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

WEBSTER COUNTY SCHOOL DISTRICT
Notes To Required Supplementary Information
For the Year Ended June 30, 2017

Note 1 – Budgetary Comparison Schedule

A. 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.

B. 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 consistent with accounting principles generally accepted in the United States of America.

Note 2 – Pension Schedules

A. Changes of benefit terms

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

B. Changes of assumptions

2015:

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.

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.

The assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%

SUPPLEMENTARY INFORMATION

WEBSTER COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 172,327
National school lunch program	10.555	579,580
Total child nutrition cluster		751,907
Total passed-through Mississippi Department of Education		751,907
Total U.S. Department of Agriculture		751,907
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	165,222
Total Federal Communications Commission		165,222
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	447,355
Career and technical education - basic grants to states	84.048	38,341
Rural education	84.358	26,670
Improving teacher quality-State Grants	84.367	117,632
Subtotal		629,998
Special education cluster:		
Special education - grants to states	84.027	435,304
Special education - preschool grants	84.173	12,018
Total special education cluster		447,322
Total passed-through Mississippi Department of Education		1,077,320
Total U.S. Department of Education		1,077,320
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	9,391
Total Medicaid cluster		9,391
Total passed-through Mississippi Department of Education		9,391
Total U.S. Department of Health and Human Services		9,391
Total for All Federal Awards		\$ 2,003,840

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

WEBSTER COUNTY SCHOOL DISTRICT**Supplementary Information****Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds****For the Year Ended June 30, 2017**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,783,755	9,136,962	579,848	845,680	1,221,265
Other	4,211,884	1,107,831	186,408	17,784	2,899,861
Total	<u>\$ 15,995,639</u>	<u>10,244,793</u>	<u>766,256</u>	<u>863,464</u>	<u>4,121,126</u>
Total number of students *	<u>1,829</u>				
Cost per student	<u>\$ 8,745</u>	<u>5,601</u>	<u>419</u>	<u>472</u>	<u>2,253</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

WEBSTER COUNTY SCHOOL DISTRICT
Notes to Supplementary Information
For the Year Ended June 30, 2017

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, 2017. 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 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 commodities reported on the schedule of expenditures of federal awards is the value of 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 \$53,902.

Note 5 – Indirect Cost Rate

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

OTHER INFORMATION

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

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,293,275	\$ 3,144,755	\$ 3,083,722	\$ 2,954,607
State sources	8,948,264	9,337,796	8,794,125	7,738,086
Federal sources	201,723	123,519	161,832	158,330
Sixteenth section sources	187,639	340,783	167,648	-
Total Revenues	12,630,901	12,946,853	12,207,327	10,851,023
Expenditures:				
Instruction	7,662,516	8,035,478	7,715,291	7,491,800
Support services	4,191,761	4,182,464	3,863,242	3,622,703
Noninstructional services	6,003	-	10,397	6,453
Sixteenth section	1,050	75,931	653	-
Facilities acquisition and construction	-	72,998	-	61,389
Total Expenditures	11,861,330	12,366,871	11,589,583	11,182,345
Excess (Deficiency) of Revenues over (under) Expenditures	769,571	579,982	617,744	(331,322)
Other Financing Sources (Uses):				
Bonds and notes issued	717,565	32,560	22,511	179,609
Insurance recovery	-	476	-	-
Operating transfers in	114,860	101,656	55,055	1,000,746
Operating transfers out	(876,502)	(663,606)	(624,402)	(615,585)
Other financing uses	-	(3,331)	-	-
Total Other Financing Sources (Uses)	(44,077)	(532,245)	(546,836)	564,770
Net Change in Fund Balances	725,494	47,737	70,908	233,448
Fund Balances:				
Beginning of period, as previously reported	2,237,969	2,178,308	913,021	679,573
Prior period adjustments	12,920	11,924	19,443	-
Fund balance reclassification	-	-	1,174,936	-
Beginning of period, as restated	2,250,889	2,190,232	2,107,400	679,573
End of Period	\$ 2,976,383	\$ 2,237,969	\$ 2,178,308	\$ 913,021

*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**

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,607,829	\$ 3,440,630	\$ 3,378,485	\$ 3,242,265
State sources	10,154,807	10,555,857	10,018,828	9,043,269
Federal sources	2,095,891	2,106,938	2,128,400	3,472,330
Sixteenth section sources	194,031	366,301	177,033	169,149
Total Revenues	16,052,558	16,469,726	15,702,746	15,927,013
Expenditures:				
Instruction	9,179,689	9,625,837	9,407,279	9,155,192
Support services	5,367,204	5,187,581	4,871,381	5,209,352
Noninstructional services	962,522	991,128	949,951	910,582
Sixteenth section	16,341	109,425	44,690	26,344
Facilities acquisition and construction	-	340,708	992,032	3,828,392
Debt service:				
Principal	369,431	352,131	1,688,461	482,200
Interest	98,241	104,349	171,282	116,370
Other	2,211	843	576	500
Total Expenditures	15,995,639	16,712,002	18,125,652	19,728,932
Excess (Deficiency) of Revenues over (under) Expenditures	56,919	(242,276)	(2,422,906)	(3,801,919)
Other Financing Sources (Uses):				
Bonds and notes issued	717,565	32,560	22,511	1,529,609
Insurance recovery	-	476	-	-
Payment to refunded bond escrow agent	(106,000)	(106,000)	(106,000)	(106,000)
Operating transfers in	991,362	884,322	1,953,544	1,616,331
Other financing sources	106,000	106,000	106,000	106,000
Operating transfers out	(991,362)	(884,322)	(1,953,544)	(1,616,331)
Other financing uses	-	(3,331)	-	(351)
Total Other Financing Sources (Uses)	717,565	29,705	22,511	1,529,258
Extraordinary items	-	299,792	175,283	2,814,399
Net Change in Fund Balances	774,484	87,221	(2,225,112)	541,738
Fund Balances:				
Beginning of period, as previously reported	3,384,357	3,297,630	5,434,594	4,899,095
Prior period adjustments	12,920	11,924	78,930	-
Beginning of period, as restated	3,397,277	3,309,554	5,513,524	4,899,095
Increase (Decrease) in reserve for inventory	(3,776)	(12,418)	9,218	(6,239)
End of Period	\$ 4,167,985	\$ 3,384,357	\$ 3,297,630	\$ 5,434,594

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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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

Superintendent and School Board
Webster County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2017, 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 22, 2018.

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 2017-001 and 2017-002).**

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 Response to Findings

Webster County School District's response to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Webster County 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 them.

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 22, 2018

Watkins Ward and Stafford, PLLC



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**INDEPENDENT AUDITOR'S 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 Webster County School District's major federal program for the year ended June 30, 2017. 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 programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, material weaknesses may exist that have not been identified.

Purpose of this Report

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 22, 2018

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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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, 2017, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated March 22, 2018. 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.

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

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

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

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

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

Finding

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

During our testing of PERS retirees we noted that one (1) PERS retiree was paid \$29 more than the amount allowed on their applicable Form 4B.

Recommendation

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

School District's Response

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

2. The School District Should Promptly Collect Sixteenth Section Leases

Finding

Section 29-3-57, Miss. Code Ann. (1972) states, "It is the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section principal funds. Upon a sixty (60) day default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present."

During our tests of sixteenth section leases we identified five (5) leases in which rental payments tested were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Inadequate controls concerning collection of sixteenth section lease payments resulted in the District not being in compliance with Section 29-3-57, Miss. Code Ann. (1972).

Recommendation

We recommend that the District comply with Section 29-3-57, Miss. Code Ann. (1972) that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

School District's Response

We will comply with Section 29-3-57, Miss. Code Ann. (1972) that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

3. Activity Funds Should Be Expended For Legal Expenditures

Finding

Section 37-7-301(s), Miss Code Ann. (1972) states, "To expend local school activity funds, or other available school district funds, other than minimum education program funds, for the purposes prescribed under this paragraph. "Activity funds" shall mean all funds received by school officials in all school districts paid or collected to participate in any school activity, such activity being part of the school program and partially financed with public funds or supplemented by public funds." The Financial Accounting manual prepared by the Mississippi Department of Education further states, "Activity funds may only be expended for the following: Travel expenses, including advances, incurred by students and their chaperones in attending school related programs; commodities; equipment; travel expenses of school employees; purchased services; and school supplies.

During our testing of activity expenditures at East Webster High School we noted that personnel at the high school had expended \$724.95 of activity funds for teacher and staff appreciation. These expenditures are not considered to be an allowable expenditure of activity funds.

Recommendation

We recommend that the District comply with Section 37-7-301(s), Miss. Code Ann. (1972) and expend activity funds only on those items that are considered allowable under state law.

School District's Response

We will comply with Section 37-7-301(s), Miss. Code Ann. (1972) and expend activity funds only on those items that are considered allowable under state law.

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 22, 2018

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 30,2017

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) | No | | | | |
| 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) | No | | | | |
| 7. Identification of major programs: | | | | | |
| <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;"><u>CFDA Numbers</u></td> <td style="width: 60%;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>10.553/10.555</td> <td>Child Nutrition Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.553/10.555 | Child Nutrition Cluster | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | |
| 10.553/10.555 | Child Nutrition 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 Deficiency Not Considered To Be A Material Weakness

Finding 2017-001 Internal Controls Surrounding Activity Fund Receipts Should Be Strengthened

Criteria: Management is responsible establishing internal controls over activity funds receipts to ensure that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

Condition: During our test work performed over collection of activity fund receipts at Eupora High School we noted that funds collected at football jamboree on August 12, 2016 and a home football game on August 19, 2016 were not deposited until September 12, 2016. These funds were not deposited on a timely basis. School district personnel should deposit all receipts intact within one business day to ensure the district guards against the risk of misappropriation of these receipts.

Effect: Inadequate internal controls surrounding collection of receipts in activity funds could result in misappropriation of assets and improper revenue recognition.

Cause: The employee that is responsible for depositing these funds was out on leave during this time period.

Recommendation

We recommend that the district establish internal controls over activity funds receipts to ensure that all receipts are correctly recorded and deposited intact within one business day in order to safeguard the assets of the district.

Views of Responsible Officials of the Auditee

We will establish internal controls over activity funds receipts to ensure that all receipts are correctly recorded and deposited intact within one business day in order to safeguard the assets of the district.

Significant Deficiency Not Considered To Be A Material Weakness

Finding 2017-002 Internal Controls Surrounding Activity Fund Disbursements Should Be Strengthened

Criteria: Management is responsible establishing internal controls over activity funds disbursements to ensure that all disbursements are correctly recorded and properly authorized in order to safeguard the assets of the district.

Condition: During our test work performed over activity fund disbursements at East Webster High School we noted that the principal at the high school had paid a family member for summer janitorial work at the school but had not obtained board approval to hire the family member as a summer worker. All summer workers should be approved by the board to avoid any improprieties and abuse of school activity funds.

Effect: Inadequate internal controls surrounding the approval of summer workers in activity funds could result in misappropriation of assets and improper revenue recognition.

Cause: The principal at East Webster High School did not correspond with the central office to obtain board approval for the hire of summer workers at the school.

Recommendation

We recommend that the district establish internal controls over the approval of summer workers at the individual schools to ensure that all of these expenditures are approved by the board prior to any individual being hired.

Views of Responsible Officials of the Auditee

We will establish internal controls over the approval of summer workers at the individual schools to ensure that all of these expenditures are approved by the board prior to any individual being hired.

Section III: Federal Award Findings and Questioned Costs

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

**AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR 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, 2017.

CORRECTIVE ACTION PLAN DETAILS

- | | |
|---------------------|---|
| Finding
2017-001 | <p>A. Superintendent – Brian Jones
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: Immediately</p> |
| Finding
2017-002 | <p>A. Superintendent - Michael Adkins
Business Administrator – Angela Avent-White</p> <p>B. Administrative personnel at all schools will be instructed to obtain board approval before any summer workers are hired.</p> <p>C. Anticipated Completion Date: Immediately</p> |

Webster County Schools

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

95 CLARK AVENUE – EUPORA, MS 39744

BRIAN JONES, SUPERINTENDENT

SUMMARY OF PRIOR 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, 2017:

<u>Finding</u>	<u>Status</u>
2016-001	Corrected
2016-002	Not Corrected
2016-003	Corrected

Sincerely,

Brian Jones, Superintendent