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WEBSTER COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

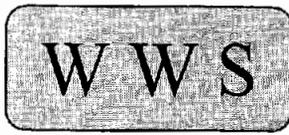
JUNE 30, 2007

WEBSTER COUNTY SCHOOL DISTRICT
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WEBSTER COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT



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

Superintendent and School Board
Webster County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2007, which collectively comprise the Webster County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Webster County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Webster County School District, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, on our consideration of the Webster County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion in it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Webster County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 29, 2008

Watkins, Ward and Stafford, PLLC

WEBSTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Webster County Schools

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JIMMY PITTMAN
SUPERINTENDENT OF EDUCATION

The discussion and analysis of Webster County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

The Webster County School District is home to two unique secondary and elementary schools and the Webster County Career and Technology Center. Eupora High School(grades 7-12), Eupora Elementary School(grades K-6), and the Career and Technology Center are all located within the city limits of Eupora. East Webster High School(grades 7-12) and East Webster Elementary School(grades K-6) are situated in Cumberland and Mathiston respectively. The total enrollment of the District consists of approximately 1708 students.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$395,218, which represents a 5.4% increase from fiscal year 2006.
- General revenues account for \$10,711,742 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,021,327 or 22% of total revenues.
- The District had \$13,337,851 in expenses; only \$3,021,327 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,711,742 were adequate to provide for these programs.

- Among major funds, the General Fund had \$10,528,354 in revenues and \$9,795,005 in expenditures. The General Fund's fund balance increased \$177,540 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$169,787.
- Long-term debt decreased by \$202,931.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 15 - 16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 17 - 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 21.

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 on pages 22 - 34 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$ 7,698,199 as of June 30, 2007.

The largest portion of the District's net assets (64%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, mobile equipment, and furniture and equipment, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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.

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2006 and June 30,2007.

	FYE June 30,2007	FYE June 30,2006
Current assets	\$ 3,120,922	\$ 2,710,061
Capital assets, net	<u>8,165,219</u>	<u>8,335,006</u>
Total assets	<u>11,286,141</u>	<u>11,045,067</u>
Current liabilities	489,374	417,113
Long term debt outstanding	<u>3,098,568</u>	<u>3,324,973</u>
Total liabilities	<u>3,587,942</u>	<u>3,742,086</u>
Net assets:		
Invested in capital asset, net of related debt	4,958,019	4,910,006
Restricted	2,027,534	1,843,001
Unrestricted	<u>712,646</u>	<u>549,974</u>
Total net assets	<u>7,698,199</u>	<u>7,302,981</u>

The following is a significant current year transactions that had an impact on the Statement of Net Assets.

- The principal retirement of \$237,299 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$13,733,069. The total cost of all programs and services was \$13,337,851. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and June 30,2007.

	FYE June 30,2007	FYE June 30,2006
Program Revenues:		
Charges for services	\$ 716,068	\$ 718,681
Operating grants & other loans	2,305,259	2,344,695
General revenues:		
Taxes	1,738,881	1,741,481
Unrestricted state grants and contributions	8,441,831	7,907,213
Unrestricted federal grants & contributions	99,579	70,048
Unrestricted investment earnings	156,974	105,784
Sixteenth section sources	195,913	77,510
Other	<u>78,564</u>	<u>70,216</u>
Total revenues	13,733,069	13,035,628
Expenses:		
Instruction	8,187,594	8,089,335
Support services	4,171,692	4,105,195
Non-instructional	773,475	815,680
Sixteenth section	59,100	1,016
Interest on long-term liabilities	<u>145,990</u>	<u>151,551</u>
Total expenses	13,337,851	13,162,777
Prior period adjustments	<u>0</u>	<u>(6,710)</u>
Increase (decrease) in net assets	<u>395,218</u>	<u>(120,439)</u>

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

Fiscal Year Ended June 30,2007

	Total Expenses		Net(Expense) Revenue
Instruction	8,187,594	(	6,601,755)
Support services	4,171,692	(	3,577,947)
Non-instructional	773,475		61,190
Sixteenth section	59,100	(	52,022)
Interest on long term liabilities	<u>145,990</u>	(	<u>145,990</u>)
Total expenses	<u>13,337,851</u>	(	<u>(10,316,524)</u>)

Fiscal Year Ended June 30,2006

	Total Expenses		Net(Expense) Revenue
Instruction	8,089,335	(	6,431,020)
Support services	4,105,195	(	3,546,479)
Non-instructional	815,680		30,665
Sixteenth section	1,016	(	1,016)
Interest on long term liabilities	<u>151,551</u>	(	<u>151,551</u>)
Total expenses	<u>13,162,777</u>	(	<u>10,099,401</u>)

- Net cost of governmental activities (\$10,316,524), was financed by general revenue, which is made up of primarily property taxes \$1,738,881 and state revenue \$8,441,831.
- Investment earnings accounted for \$156,974 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,962,173,an increase of \$358,472 due primarily to the increase in 16th section revenues and district maintenance fund. \$864,786 or 29% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,097,387 or 71% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$177,540. The fund balance of Other Governmental Funds showed an increase of \$173,990 for the fiscal year, including the effect of a change in inventory of \$6,942.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget..

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$12,539,490 , including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$113,837 from the previous year. The primary capital addition during the school year was the purchase of school buses. Total accumulated depreciation as of June 30, 2007 was \$4,374,271 and total depreciation expense for the year was \$290,120, resulting in total net capital assets of \$8,165,219.

Additional information of the District's capital assets can be found in Note 4 on page 30 of this report.

Debt Administration. At June 30, 2007, the District had \$3,359,341 in general obligation bonds and other long-term debt outstanding, of which \$260,773 is due within one year.

The District maintains a AA bond rating on the 1998 state aid capital improvement bonds.

Additional information of the District's long-term debt can be found in Note 5 on page 31 of 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 millage has decreased .56 from last year. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Webster County School District at 95 Clark Avenue, Eupora, MS 39744.

WEBSTER COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Webster County School District
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,344,492
Cash with fiscal agents	155,424
Due from other governments	558,244
Accrued interest receivable	549
Other receivables, net	1,652
Inventories and prepaid items	49,334
Restricted assets	11,227
Capital assets, non-depreciable:	
Land	104,048
Capital assets, net of accumulated depreciation:	
Buildings	7,376,861
Improvements other than buildings	73,344
Mobile equipment	598,829
Furniture and equipment	12,137
Total Assets	<u>11,286,141</u>
Liabilities	
Accounts payable and accrued liabilities	158,749
Interest payable on long-term liabilities	69,852
Long-term liabilities, due within one year	
Capital related liabilities	229,600
Non-capital related liabilities	31,173
Long-term liabilities, due beyond one year	
Capital related liabilities	2,977,600
Non-capital related liabilities	120,968
Total Liabilities	<u>3,587,942</u>
Net Assets	
Invested in capital assets, net of related debt	4,958,019
Restricted net assets:	
Expendable:	
School-based activities	1,271,543
Debt service	361,090
Capital improvements	68,609
Forestry improvements	276,828
Unemployment benefits	38,237
Non-expendable:	
Sixteenth section	10,185
Other	1,042
Unrestricted	712,646
Total Net Assets	<u>\$ 7,698,199</u>

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

Webster County School District
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					
Instruction	\$ 8,187,594	421,074	1,164,765		(6,601,755)
Support services	4,171,692		593,745		(3,577,947)
Non-instructional	773,475	287,916	546,749		61,190
Sixteenth section	59,100	7,078			(52,022)
Interest on long-term liabilities	145,990				(145,990)
Total Governmental Activities	\$ 13,337,851	716,068	2,305,259	0	(10,316,524)

General Revenues

Taxes:

General purpose levies 1,708,970

Debt purpose levies 29,911

Unrestricted grants and contributions:

State 8,441,831

Federal 99,579

Unrestricted investment earnings 156,974

Sixteenth section sources 195,913

Other 78,564

Total General Revenues 10,711,742

Change in Net Assets 395,218

Net Assets - Beginning 7,302,981

Net Assets - Ending \$ 7,698,199

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

Webster County School District
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title 1-A Basic Fund	IDEA Part B Fund	Sixteenth Section Interest Fund	Other Governmental Funds		
ASSETS							
Cash and cash equivalents	\$ 585,616			1,043,143	726,960		2,355,719
Cash with fiscal agents					155,424		155,424
Due from other governments	150,519	71,729	74,784	30,033	231,179		558,244
Accrued interest receivable				390	159		549
Other receivables, net	1,317				102		1,419
Due from other funds	200,208	199			4,656		205,063
Inventories					49,334		49,334
Total Assets	\$ 937,660	71,928	74,784	1,073,566	1,167,814		3,325,752
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 60,300	4,662	7,492	48,633	37,662		158,749
Due to other funds	12,574	67,266	67,292		57,698		204,830
Total Liabilities	72,874	71,928	74,784	48,633	95,360		363,579
Fund Balances:							
Reserved for:							
Inventory					49,334		49,334
Capital projects					68,609		68,609
Debt service					430,943		430,943
Unemployment benefits					38,237		38,237
Forestry improvement purposes					276,828		276,828
Permanent fund purposes					11,227		11,227
Undesignated, reported in:							
General Fund	864,786						864,786
Special Revenue Funds				1,024,933	197,276		1,222,209
Total Fund Balances	864,786			1,024,933	1,072,454		2,962,173
Total Liabilities and Fund Balances	\$ 937,660	71,928	74,784	1,073,566	1,167,814		3,325,752

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

Webster County School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,962,173
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,374,271.	8,165,219
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,359,341)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(69,852)
Total Net Assets - Governmental Activities	<u>\$ 7,698,199</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007

	Major Funds				Other	Total
	General Fund	Title 1-A Basic Fund	IDEA Part B Fund	Sixteenth Sec Interest Fund	Governmental Funds	Governmental Funds
Revenues:						
Local sources	\$ 2,280,617		117		308,611	2,589,345
State sources	8,148,282				784,853	8,933,135
Federal sources	99,455	528,975	409,987		875,117	1,913,534
Sixteenth section sources				275,486	21,569	297,055
Total Revenues	10,528,354	528,975	410,104	275,486	1,990,150	13,733,069
Expenditures:						
Instruction	6,618,711	350,932	265,192		966,480	8,201,315
Support services	3,169,841	169,383	144,912		511,617	3,995,753
Noninstructional services	6,453	4,388			769,082	779,923
Sixteenth section				43,633	15,466	59,099
Debt service:						
Principal					237,299	237,299
Interest					148,949	148,949
Other					642	642
Total Expenditures	9,795,005	524,703	410,104	43,633	2,649,535	13,422,980
Excess (Deficiency) of Revenues over Expenditures	733,349	4,272	0	231,853	(659,385)	310,089
Other Financing Sources (Uses):						
Proceeds of loans	34,840					34,840
Insurance loss recoveries	1,763					1,763
Sale of transportation equipment	4,838					4,838
Operating transfers in	143,736				740,986	884,722
Operating transfers out	(740,986)	(4,272)		(100,000)	(39,464)	(884,722)
Total Other Financing Sources (Uses)	(555,809)	(4,272)	0	(100,000)	701,522	41,441
Net Change in Fund Balances	177,540	0	0	131,853	42,137	351,530
Fund Balances:						
July 1, 2006	687,246	0	0	893,080	1,023,375	2,603,701
Increase (Decrease) in reserve for inventory					6,942	6,942
June 30, 2007	\$ 864,786	0	0	1,024,933	1,072,454	2,962,173

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

**Webster County School District
 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, 2007**

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 351,530
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$121,492 and the depreciation expense amounted to \$290,120.	(168,628)
2. Proceeds of debt incurred during the fiscal year is recorded as revenue in the governmental funds however it is recorded as an increase in long term liabilities in the Statement of Activities	(34,840)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	237,299
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	3,602
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(1,159)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	6,942
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	472
Change in Net Assets of Governmental Activities	\$ <u><u>395,218</u></u>

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

**Webster County School District
Statement of Fiduciary Net Assets
June 30, 2007**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 596,299
Other receivables, net	843
	<hr/>
Total Assets	\$ <u>597,142</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 514,210
Due to other funds	233
Due to student clubs	82,699
	<hr/>
Total Liabilities	\$ <u>597,142</u>

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

(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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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 was elected by the citizens of each defined county district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund Financial Statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Title 1 Fund – This is a Special Revenue Fund that is used to insure proper disbursement of and accounting for Title I, Part A revenues received by the district.

IDEA Part B Fund – This is a Special Revenue Fund that is used to insure proper disbursement of, and accounting for, EHA Part B revenues received by the district.

Sixteenth Section Interest Fund – This fund accounts for the expendable funds derived from sixteenth section or lieu funds.

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

Additionally the school district reports the following fund types:

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

GOVERNMENTAL FUNDS

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

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

FIDUCIARY FUNDS

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.

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of three months or less. Cash and cash equivalents are valued at cost.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

G. 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 deposits are classified as investments if they have a maturity greater than three months when acquired.

Investments are reported at fair value.

H. 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.

I. Capital Assets.

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.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

(*) the threshold amount will correspond with the amounts for the asset classifications, as listed. See **Note (4)** for details.

J. Long-term liabilities.

Long-term liabilities are unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long term debt, and other long term obligations are reported as liabilities in the governmental activities column. (See **Note (5)** for details).

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See **Note 3** for details for interfund transactions, including receivables and payables at year-end.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

L. Equity Classifications.

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

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

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

Reserved for capital projects – An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

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

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

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

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

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

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

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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 school district's deposits in financial institutions are 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 Depository Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus 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 deposits and 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, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), 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. Amounts 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 \$2,355,719 and \$596,299 respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$2,344,492 and Restricted Assets - \$11,227. The Restricted Assets of \$11,227 represents the cash balance 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. The bank balance was \$3,440,211.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$3,440,211 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$155,424.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

		<u>Due From</u>	<u>Due To</u>
Governmental Funds:			
General Fund	\$	200,208	12,574
Title I Fund		199	67,266
IDEA Part B Fund			67,292
Other Governmental Funds		4,656	57,698
Agency Funds		-	<u>233</u>
Total	\$	<u>205,063</u>	<u>205,063</u>

Due from/to other funds was comprised of loans to cover deficit cash balances.

B. Transfers In/Out.

		<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:			
General fund	\$	143,736	740,986
Title I Fund			4,272
Sixteenth Section Interest Fund			100,000
Other Governmental Funds		<u>740,986</u>	<u>39,464</u>
Total	\$	<u>884,722</u>	<u>884,722</u>

Transfers in/out consisted of transfers for indirect costs, transfers of interest and operating costs. The majority of the transfers were for operating costs.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

(4) Capital Assets.

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

	Balance <u>7-1-2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6-30-2007</u>
Non-depreciable capital assets				
Land	\$ 104,048	-	-	104,048
Total non-depreciable capital assets	<u>104,048</u>	<u>-</u>	<u>-</u>	<u>104,048</u>
Depreciable capital assets:				
Buildings	10,464,615	-	-	10,464,615
Improvements other than buildings	207,480	-	-	207,480
Mobile equipment	1,492,396	121,492	-	1,613,888
Furniture and equipment	157,114	-	(7,655)	149,459
Total depreciable capital assets	<u>12,321,605</u>	<u>121,492</u>	<u>(7,655)</u>	<u>12,435,442</u>
Less accumulated depreciation for:				
Buildings	2,899,318	188,436	-	3,087,754
Improvements other than buildings	129,731	4,405	-	134,136
Mobile equipment	923,995	91,064	-	1,015,059
Furniture and equipment	137,603	6,215	(6,496)	137,322
Total accumulated depreciation	<u>4,090,647</u>	<u>290,120</u>	<u>(6,496)</u>	<u>4,374,271</u>
Total depreciable capital assets, net	<u>8,230,958</u>	<u>(168,628)</u>	<u>(1,159)</u>	<u>8,061,171</u>
Governmental activities capital assets, net	<u>\$ 8,335,006</u>	<u>(168,628)</u>	<u>(1,159)</u>	<u>8,165,219</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 3,514
Support services	285,899
Non-instructional	<u>707</u>
Total depreciation expense	\$ <u>290,120</u>

(5) Long-term liabilities:

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

	Balance <u>7-1-2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6-30-2007</u>	Amounts due Within one <u>Year</u>
A. Limited obligation bonds payable	\$ 2,860,000	-	(170,000)	2,690,000	180,000
B. Building purpose loans payable	565,000	-	(47,800)	517,200	49,600
C. Shortfall notes payable	53,666	34,840	(19,499)	69,007	31,173
D. Compensated absences payable	83,606	-	(472)	83,134	-
Total	\$ <u>3,562,272</u>	<u>34,840</u>	<u>(237,771)</u>	<u>3,359,341</u>	<u>260,773</u>

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement Bonds, Series 1998	Varies	2/01/1998	2/01/2018	\$ <u>3,700,000</u>	<u>2,690,000</u>
Total				\$ <u>3,700,000</u>	<u>2,690,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 180,000	118,065	298,065
2009	185,000	110,263	295,263
2010	195,000	101,995	296,995
2011	205,000	93,195	298,195
2012	215,000	83,955	298,955
2013-2017	1,215,000	262,970	1,477,970
2018-2022	<u>495,000</u>	<u>16,920</u>	<u>511,920</u>
Total	\$ <u>2,690,000</u>	<u>787,363</u>	<u>3,477,363</u>

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. This debt will be retired from the MAEP Retirement Fund.

B. Building purpose loans payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Hancock Bank, Series 2005	3.66%	08/04/2005	08/04/2015	\$ <u>565,000</u>	<u>517,200</u>
Total				\$ <u>565,000</u>	<u>517,200</u>

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 49,600	18,930	68,530
2009	51,400	17,114	68,514
2010	53,300	15,233	68,533
2011	55,200	13,282	68,482
2012	57,200	11,262	68,462
2013-2017	<u>250,500</u>	<u>23,329</u>	<u>273,829</u>
 Total	 \$ <u>517,200</u>	 <u>99,150</u>	 <u>616,350</u>

The debt will be retired from the 4091 Series 2005, Note Retirement Fund.

C. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Revenue Shortfall Note, Series 2004	3.98%	10/15/2004	10/15/2007	\$ 21,000	7,000
Revenue Shortfall Note, Series 2005	5.68%	09/29/2005	09/29/2008	39,666	27,167
Revenue Shortfall Note, Series 2006	5.81%	09/20/2006	09/20/2009	<u>34,840</u>	<u>34,840</u>
 Total				 \$ <u>95,506</u>	 <u>69,007</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 31,173	3,846	35,019
2009	25,559	2,180	27,739
2010	<u>12,275</u>	<u>713</u>	<u>12,988</u>
 Total	 \$ <u>69,007</u>	 <u>6,739</u>	 <u>75,746</u>

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

D. Compensated absences payable

As more fully explained in Note 1(0), 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.

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2007, was 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$871,685, \$827,340, and \$698,127 respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2008	66,579
2009	66,667
2010	8,167
2011	5,637
2012	5,547
2013-2017	21,386
2018-2022	350
2023-2027	350
2028-2032	350
Thereafter	<u>1,330</u>
Total	\$ <u>176,363</u>

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2007**

(8) Subsequent Events.

On July 10, 2007, the school district approved payment of a manual check to Waters Truck and Tractor in the amount of \$179,716 to purchase three school buses.

On August 14, 2007, the school district approved the issuance of a shortfall note in the amount of \$85,792.

(9) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

WEBSTER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Webster County School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,241,440	2,278,941	2,280,617	37,501	1,676
State sources	8,059,431	8,148,282	8,148,282	88,851	0
Federal sources	67,807	99,455	99,455	31,648	0
Total Revenues	10,368,678	10,526,678	10,528,354	158,000	1,676
Expenditures:					
Instruction	6,522,342	6,647,711	6,618,711	(125,369)	29,000
Support services	3,186,026	3,182,337	3,169,841	3,689	12,496
Noninstructional services	0	6,453	6,453	(6,453)	0
Total Expenditures	9,708,368	9,836,501	9,795,005	(128,133)	41,496
Excess (Deficiency) of Revenues over Expenditures	660,310	690,177	733,349	29,867	43,172
Other Financing Sources (Uses):					
Proceeds of loans	34,836	34,840	34,840	4	0
Insurance loss recoveries		1,763	1,763	1,763	0
Sale of transportation equipment		4,838	4,838	4,838	0
Operating transfers in	1,140,842	1,070,960	143,736	(69,882)	(927,224)
Operating transfers out	(1,710,346)	(1,683,210)	(740,986)	27,136	942,224
Total Other Financing Sources (Uses)	(534,668)	(570,809)	(555,809)	(36,141)	15,000
Net Change in Fund Balances	125,642	119,368	177,540	(6,274)	58,172
Fund Balances:					
July 1, 2006	554,602	688,921	687,246	134,319	(1,675)
June 30, 2007	\$ 680,244	808,289	864,786	128,045	56,497

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

Webster County School District
 Budgetary Comparison Schedule
 Title 1-A Basic
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 812,294	533,975	528,975	(278,319)	(5,000)
Total Revenues	<u>812,294</u>	<u>533,975</u>	<u>528,975</u>	<u>(278,319)</u>	<u>(5,000)</u>
Expenditures:					
Instruction	350,265	350,932	350,932	667	0
Support services	126,101	174,383	169,383	48,282	5,000
Noninstructional services	59,818	4,388	4,388	(55,430)	0
Total Expenditures	<u>536,184</u>	<u>529,703</u>	<u>524,703</u>	<u>(6,481)</u>	<u>5,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>276,110</u>	<u>4,272</u>	<u>4,272</u>	<u>(271,838)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(7,180)</u>	<u>(4,272)</u>	<u>(4,272)</u>	<u>2,908</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(7,180)</u>	<u>(4,272)</u>	<u>(4,272)</u>	<u>2,908</u>	<u>0</u>
Net Change in Fund Balances	<u>268,930</u>	<u>0</u>	<u>0</u>	<u>(268,930)</u>	<u>0</u>
Fund Balances:					
July 1, 2006	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2007	<u>\$ 268,930</u>	<u>0</u>	<u>0</u>	<u>(268,930)</u>	<u>0</u>

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

Webster County School District
 Budgetary Comparison Schedule
 IDEA Part B Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$		117	0	117
Federal sources	556,759	433,253	409,987	(123,506)	(23,266)
Total Revenues	556,759	433,253	410,104	(123,506)	(23,149)
Expenditures:					
Instruction	229,103	283,459	265,192	54,356	18,267
Support services	142,603	149,912	144,912	7,309	5,000
Noninstructional services	0	0	0	0	0
Total Expenditures	371,706	433,371	410,104	61,665	23,267
Excess (Deficiency) of Revenues over Expenditures	185,053	(118)	0	(185,171)	118
Other Financing Sources (Uses):					
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	185,053	(118)	0	(185,171)	118
Fund Balances:					
July 1, 2006	0	118	0	118	(118)
June 30, 2007	\$ 185,053	0	0	(185,053)	0

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

Webster County School District
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 189,420	275,485	275,486	86,065	1
Total Revenues	189,420	275,485	275,486	86,065	1
Expenditures:					
Sixteenth section	1,600	46,100	43,633	(44,500)	2,467
Total Expenditures	1,600	46,100	43,633	(44,500)	2,467
Excess (Deficiency) of Revenues over Expenditures	187,820	229,385	231,853	41,565	2,468
Other Financing Sources (Uses):					
Operating transfers out	(100,000)	(100,000)	(100,000)	0	0
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(100,000)	0	0
Net Change in Fund Balances	87,820	129,385	131,853	41,565	2,468
Fund Balances:					
July 1, 2006	881,800	893,080	893,080	11,280	0
June 30, 2007	\$ 969,620	1,022,465	1,024,933	52,845	2,468

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

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Required Supplementary Information
For the Year Ended June 30, 2007**

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

WEBSTER COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Webster County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog Of Federal Domestic Assistance No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through the Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 53,006
Child nutrition cluster		
School breakfast program	10.553	133,524
National school lunch program	10.555	404,676
Total		<u>538,200</u>
Total U.S. Department of Agriculture		<u>591,206</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	68,902
Total Federal Communications Commission		<u>68,902</u>
<u>U.S. Department of Education</u>		
Passed through the Mississippi Department of Education:		
Title I, grants to local educational agencies	84.010	528,975
Vocational education - basic grants to states	84.048	85,609
Safe and drug free schools and communities - state grants	84.186	8,388
Eisenhower professional development state grants	84.281	131,183
State grants for innovative programs	84.298	2,844
Education technology state grants	84.318	5,672
Rural education	84.358	49,102
Grants for state assessments and related activities	84.369	5,071
Total		<u>816,844</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	431,235
Special Education - Preschool Grants	84.173	24,644
Total Special Education Cluster		<u>455,879</u>
Total U.S. Department of Education		<u>1,272,723</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through the Mississippi Department of Health and Human Services:		
Medical assistance program	93.778	18,687
Total U.S. Department of Health and Human Services		<u>18,687</u>
Total for All Federal Awards		<u>\$ 1,951,518</u>

Notes To Schedule:

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

Webster County School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2007

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 10,450,430	8,207,652	429,926	736,867	1,075,985
Other	2,972,550	904,950	89,995	20,338	1,957,267
Total	\$ 13,422,980	9,112,602	519,921	757,205	3,033,252

Total number of students * 1,708

Cost per student \$ 7,859 5,335 304 443 1,776

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. (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

WEBSTER COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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Certified Public Accountants

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

February 29, 2008

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 Webster County School District as of and for the year ended June 30, 2007, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-1, 2007-2, and 2007-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 29, 2008

Watkins, Ward and Stafford, PLLC



Watkins, Ward and Stafford
Professional Limited Liability Company
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board
Webster County School District

Compliance

We have audited the compliance of the Webster County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Webster County School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 29, 2008

Watkins, Ward and Stafford, PLLC

WEBSTER COUNTY SCHOOL DISTRICT

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



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

Superintendent and School Board
 Webster County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2007, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated February 29, 2008. 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 result of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$21,761 of classroom supply funds carried over from previous years.

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

The results of 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

Watkins, Ward and Stafford, PLLC
 Louisville, Mississippi
 February 29, 2008

Watkins, Ward and Stafford, PLLC

WEBSTER COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEBSTER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 4. Type of Auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit finding(s) reported as required by Section ____, 510(a) of Circular A-133? | No |
| 7. Federal Programs identified as major programs: | |
| a. Child nutrition cluster
CFDA# 10.553
CFDA# 10.555 | |
| b. Title 1 grants to local educational agencies
CFDA# 84.010 | |
| 8. The dollar threshold used to distinguish between type A and B programs. | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary of prior audit findings as discussed in Section ____, 315(b) of OMB Circular A-133? | Yes |

**Webster County School District
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2007**

Section 2: Financial Statement Findings

2007 -1 Finding:

Per examination of activity fund receipts we noted the following deficiencies in internal controls over activity fund receipts:

- The applicable cashiers/gate workers are not signing the athletic event transmittal forms verifying cash collections for the applicable athletic event.
- There is significant time delay between the date of the actual athletic event and the date the athletic event transmittal form and applicable receipt is completed and verified and deposited into the bank. Per inquiry of personnel this is done so that school personnel do not have to go to bank to obtain cash for the next athletic event and then redeposit these funds.

Recommendation:

We recommend that all cashiers/gate workers sign all applicable athletic event transmittal forms for athletic event they work to verify cash collected at the applicable event and that athletic event forms be completed in a timely basis, preferably by the next business day, and be receipted and deposited into the bank in a timely fashion.

School District's Response

All cashiers/gate workers will sign all applicable athletic event transmittal forms for athletic event they work to verify cash collected at the applicable event and athletic event forms will be completed in a timely basis, and be receipted and deposited into the bank in a timely fashion.

2007 -2 Finding:

Per our testing of general disbursements we noted the following deficiencies in internal controls over general disbursements:

- We noted six instances where no receiving documentation could be noted for an invoice to notate that the applicable goods and services were received.
- We noted one instance where an invoice was not cancelled as paid to prevent duplicate payment.

Recommendation:

We recommend that invoices not be paid until proof that the applicable goods or services have actually been received has been obtained and the all invoices be cancelled as paid when payment is made.

School District's Response

Invoices will not be paid until proof that the applicable goods or services have actually been received has been obtained and invoices will be cancelled as paid when payment is made.

2007 -3 Finding:

Per our testing of payroll disbursements we noted the following deficiencies in internal control over payroll disbursements:

- We noted one instance where a substitute employee was not approved as hired in the minutes of the board meetings.
- We noted three instances where there was employee state withholding form in the personnel file for an employee that was unsigned.

Recommendation:

We recommend that employees hired by the district be approved in the minutes of the board meeting and that employees complete and sign state withholding forms when they are hired.

School District's Response

All employees hired by the district will be approved in the minutes of the board meeting and all employees will complete and sign state withholding forms when they are hired.

Section 3: Federal Award Findings and Questioned Costs

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

WEBSTER COUNTY SCHOOL DISTRICT

SUMMARY OF PRIOR AUDIT FINDINGS

Webster County Schools

PHONE 662-258-5921 OR 662-258-5951 • FAX 662-258-3134
212 WEST CLARK AVENUE • EUPORA, MISSISSIPPI 39744

JIMMY PITTMAN
SUPERINTENDENT OF EDUCATION

Financial and Compliance Audit Division

As required by Section _____,315(b) of OMB Circular A-133, the Webster County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2007:

Finding	Status
06-2	Corrected

Sincerely,

Jimmy Pittman
Superintendent