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WEBSTER COUNTY SCHOOL DISTRICT

AUDIT REPORT

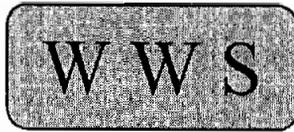
JUNE 30, 2008

**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, 2008, 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, 2008, 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 March 10, 2009, 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 Managements Discussion and Analysis on pages 5 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
March 10, 2009

Watkins, Ward and Stafford, PLLC

WEBSTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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, 2008. 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 a new 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 1723 students.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$843,692, which represents a 11% increase from fiscal year 2007.
- General revenues account for \$11,842,707 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,418,922 or 22% of total revenues.
- The District had \$14,417,937 in expenses; only \$3,418,922 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$11,842,707 were adequate to provide for these programs.

- Among major funds, the General Fund had \$11,018,193 in revenues and \$10,489,287 in expenditures. The General Fund's fund balance increased \$85,391 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$92,966.
- Long-term debt decreased by \$136,524.

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 14 - 15 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 17 and 19, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. 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 16 and 18 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 Statement of Fiduciary Assets and Liabilities on page 20.

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 21 - 37 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 schedule 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 and a Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds along with a Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund and All Governmental Funds as required by the Mississippi Department of Education can be found in this report..

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$ 8,541,891 as of June 30, 2008.

The largest portion of the District's net assets (61%) 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, 2007 and June 30, 2008.

	FYE June 30, 2008	FYE June 30, 2007
Current assets	\$ 3,875,147	\$ 3,120,922
Capital assets, net	<u>8,258,185</u>	<u>8,165,219</u>
Total assets	<u>12,133,332</u>	<u>11,286,141</u>
Current liabilities	657,361	489,374
Long term debt outstanding	<u>2,934,080</u>	<u>3,098,568</u>
Total liabilities	<u>3,591,441</u>	<u>3,587,942</u>
Net assets:		
Invested in capital asset, net of related debt	5,245,585	4,958,019
Restricted	2,556,346	2,027,534
Unrestricted	<u>739,960</u>	<u>712,646</u>
Total net assets	<u>8,541,891</u>	<u>7,698,199</u>

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

- The principal retirement of \$260,772 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$15,261,629. The total cost of all programs and services was \$14,417,937. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and June 30,2008.

	FYE June 30, 2008	FYE June 30, 2007
Program Revenues:		
Charges for services	\$ 875,882	\$ 716,068
Operating grants & other loans	2,543,040	2,305,259
General Revenues:		
Taxes	1,754,545	1,738,881
Unrestricted state grants and contributions	8,910,061	8,441,831
Unrestricted federal grants and contributions	101,447	99,579
Unrestricted investment earnings	138,778	156,974
Sixteenth section sources	843,681	195,913
Other	<u>94,195</u>	<u>78,564</u>
Total Revenues	<u>15,261,629</u>	<u>13,733,069</u>
Expenses:		
Instruction	8,613,209	8,187,594
Support services	4,712,480	4,171,692
Non-instructional	859,630	773,475
Sixteenth section	24,323	59,100
Interest on long-term liabilities	<u>208,295</u>	<u>145,990</u>
Total expenses	<u>14,417,937</u>	<u>13,337,851</u>
Increase/decrease in net assets	843,692	395,218
Beginning net assets	<u>7,698,199</u>	<u>7,302,981</u>
Ending net assets	<u>8,541,891</u>	<u>7,698,199</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 30,2008

	Total Expenses	Net(Expense) Revenue
Instruction	8,613,209 (7,006,828)
Support services	4,712,480 (3,980,792)
Non-instructional	859,630	91,169
Sixteenth section	24,323	105,731
Interest on long term liabilities	<u>208,295</u> (<u>208,295</u>)
Total expenses	<u>14,417,937</u> (<u>10,999,015</u>)

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>)

- Net cost of governmental activities (\$10,999,015), was financed by general revenue, which is made up of primarily property taxes \$1,754,545 and state revenue \$8,910,061.
- Investment earnings accounted for \$138,778 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 \$3,606,821, an increase of \$644,648 due primarily to the increase in 16th section revenues and district maintenance fund. \$950,177 or 26% 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 \$2,656,644 or 74% 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 \$85,391. The fund balance of Other Governmental Funds showed an increase of \$559,257 for the fiscal year, including the effect of a change in inventory of \$1,605.

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, 2008, the District's total capital assets were \$12,927,752, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$388,262 from the previous year. The primary capital addition during the school year was the purchase of school buses and construction in progress. Total accumulated depreciation as of June 30, 2008 was \$4,669,567 and total depreciation expense for the year was \$302,955, resulting in total net assets of \$8,258,185.

Additional information of the District's capital assets can be found in Note 5 on page 31 of this report.

Debt Administration. At June 30, 2008, the District had \$3,222,817 in limited obligation bonds payable other long-term debt outstanding, of which \$288,737 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 6 on page 32 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 .53 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, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,213,288
Cash with fiscal agents	82,952
Due from other governments	518,003
Accrued interest receivable	113
Other receivables net	1,832
Inventories	47,730
Restricted assets	11,229
Capital assets, non-depreciable:	
Land	104,048
Construction in progress	143,104
Capital assets, net of accumulated depreciation:	
Buildings	7,188,425
Improvements other than buildings	68,939
Mobile equipment	688,312
Furniture and equipment	<u>65,357</u>
Total Assets	<u><u>12,133,332</u></u>
Liabilities	
Accounts payable and accrued liabilities	268,326
Interest payable on long-term liabilities	100,298
Long-term liabilities, due within one year	
Capital related liabilities	236,400
Non-capital related liabilities	52,337
Long-term liabilities, due beyond one year	
Capital related liabilities	2,776,200
Non-capital related liabilities	<u>157,880</u>
Total Liabilities	<u><u>3,591,441</u></u>
Net Assets	
Invested in capital assets, net of related debt	5,245,585
Restricted net assets:	
Expendable:	
School-based activities	1,746,677
Debt service	286,081
Capital improvements	69,883
Forestry improvements	402,403
Unemployment benefits	40,073
Non-expendable:	
Sixteenth section	10,206
Other	1,023
Unrestricted	<u>739,960</u>
Total Net Assets	<u><u>\$ 8,541,891</u></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, 2008

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
Governmental Activities:					
Instruction	\$ 8,613,209	414,578	1,191,803		(7,006,828)
Support services	4,712,480		731,688		(3,980,792)
Non-instructional	859,630	331,250	619,549		91,169
Sixteenth section	24,323	130,054			105,731
Interest on long-term liabilities	208,295				(208,295)
Total Governmental Activities	\$ 14,417,937	875,882	2,543,040	0	(10,999,015)
General Revenues:					
Taxes:					
					1,692,743
					61,802
Unrestricted grants and contributions:					
					8,910,061
					101,447
					138,778
					843,681
					94,195
					<u>11,842,707</u>
Total General Revenues, Special Items, Extraordinary Items and Transfers					
					<u>11,842,707</u>
Change in Net Assets					
					<u>843,692</u>
Net Assets - Beginning					
					<u>7,698,199</u>
Net Assets - Ending					
					<u>\$ 8,541,891</u>

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

Webster County School District
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title 1 Fund	16th Section Interest Fund	Historical Grant Fund	Capital Improvements Fund		
ASSETS							
Cash and cash equivalents	\$ 763,599	71	1,580,830		122,492	757,521	3,224,513
Cash with fiscal agents						82,952	82,952
Due from other governments	145,919	73,542	7,083	64,048		227,411	518,003
Accrued interest receivable						117	117
Other receivables, net	1,650					182	1,832
Due from other funds	152,333					2,021	154,354
Inventories						47,730	47,730
Total Assets	\$ 1,063,501	73,613	1,587,913	64,048	122,492	1,117,934	4,029,501
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 100,785	3,764	16,325	22,352	58,597	55,985	257,808
Due to other funds	12,539	69,849		35,708		46,776	164,872
Total Liabilities	113,324	73,613	16,325	58,060	58,597	102,761	422,680
Fund Balances:							
Reserved for:							
Inventory						47,730	47,730
Debt service						386,379	386,379
Unemployment benefits						40,073	40,073
Forestry improvement purposes						402,403	402,403
Permanent fund purposes						10,206	10,206
Undesignated, reported in:							
General Fund	950,177						950,177
Special Revenue Funds			1,571,588	5,988		128,382	1,705,958
Capital Projects Funds					63,895		63,895
Total Fund Balances	950,177	0	1,571,588	5,988	63,895	1,015,173	3,606,821
Total Liabilities and Fund Balances	\$ 1,063,501	73,613	1,587,913	64,048	122,492	1,117,934	4,029,501

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, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,606,821
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 \$4,669,567.	8,258,185
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. therefore are not reported in the funds.	(3,222,817)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(100,298)
Total Net Assets - Governmental Activities	\$ <u><u>8,541,891</u></u>

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

Webster County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds					Other	Total
	General Fund	Title 1 Fund	16th Section Interest Fund	Historical Grant Fund	Capital Improvements Fund	Governmental Funds	Governmental Funds
Revenues:							
Local sources	\$ 2,314,534				2,119	343,853	2,660,506
Intermediate sources						53,136	53,136
State sources	8,604,877			64,048		812,231	9,481,156
Federal sources	98,782	651,427				1,270,048	2,020,257
Sixteenth section sources			902,980			143,584	1,046,574
Total Revenues	11,018,193	651,427	902,980	64,048	2,119	2,622,862	15,261,629
Expenditures:							
Instruction	6,930,799	448,910				1,231,907	8,611,616
Support services	3,551,122	189,207		73,774	113,729	676,515	4,604,347
Noninstructional services	7,366	7,848				899,194	914,408
Sixteenth section			6,325			17,998	24,323
Facilities acquisition and construction					143,104		143,104
Debt service:							
Principal						260,772	260,772
Interest						140,840	140,840
Other						20,009	20,009
Total Expenditures	10,489,287	645,965	6,325	73,774	256,833	3,247,235	14,719,419
Excess (Deficiency) of Revenues over Expenditures	528,906	5,462	896,655	(9,726)	(254,714)	(624,373)	542,210
Other Financing Sources (Uses):							
Proceeds of refunding bonds						2,360,000	2,360,000
Proceeds of loans	85,792						85,792
Sale of transportation equipment	251						251
Operating transfers in	230,024				250,000	759,582	1,239,606
Operating transfers out	(759,582)	(5,462)	(350,000)			(124,582)	(1,239,606)
Payment to refunded bond escrow agent						(2,342,000)	(2,342,000)
Total Other Financing Sources (Uses)	(443,515)	(5,462)	(350,000)	0	250,000	653,020	104,043
Net Change in Fund Balances	85,391	0	546,655	(9,726)	(4,714)	28,647	646,253
Fund Balances:							
July 1, 2007	864,786	0	1,024,933	15,714	68,609	988,131	2,962,173
Increase (Decrease) in reserve for inventory						(1,605)	(1,605)
June 30, 2008	\$ 950,177	0	1,571,588	5,988	63,895	1,015,173	3,606,821

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, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 646,253
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$395,998 and the depreciation expense amounted to \$302,955.	93,043
2. 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.	260,772
3. 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.	(30,446)
4. Proceeds of long term debt are reported as revenue in the governmental funds however in the Statement of Activities it is reported as an increase in long-term liabilities	(85,792)
5. The net proceeds of a bond refunding are reported as an other financing source in the governmental funds however in the Statement of Activities it is reported as an increase in long-term activities.	(35,000)
6. 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.	(77)
7. 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.	(1,605)
8. 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	(3,456)
Change in Net Assets of Governmental Activities	\$ <u>843,692</u>

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

Webster County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 596,601
Investments	
Accrued interest receivable	
Due from other funds	10,518
Other receivables	<u>955</u>
Total Assets	\$ <u><u>608,074</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 517,397
Other payables	2,040
Due to other funds	
Due to student clubs	<u>88,637</u>
Total Liabilities	\$ <u><u>608,074</u></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, 2008

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 was elected by the citizens of each defined county district.

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

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund 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.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

B. Basis of Presentation (Continued):

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

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

16th Section Interest – This is the school district's fund that accounts for the expendable funds derived from sixteenth section or lieu funds.

Historical Grant Fund – This is the school district's fund that accounts for the grant funds received for the restoration of the old Eupora High School.

Capital Improvement Fund – This is the school district's fund that accounts for various ongoing capital improvement projects throughout the school district.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

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

B. Basis of Presentation (Continued):

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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.

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 accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

C. Measurement Focus and Basis of Accounting (Continued).

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 tax, 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 are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* 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.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

F. Assets, liabilities, and net assets or equity.

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

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 a maturity greater than three months when acquired.

2. Receivables and payables.

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

5. Restricted Assets.

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

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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 those 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 For the Year Ended June 30, 2008

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal 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.

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

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

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

9. Fund Equity.

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

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

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following 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 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.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

9. Fund Equity (Continued):

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 improving sixteenth section forest lands.

Unreserved – designated for, reported in special revenue funds – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future uses.

Unreserved – designated for, reported in capital projects funds – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

2. Cash and Cash Equivalents and Cash with Fiscal Agent

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 districts' 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 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 the Executive Director of the Department of Finance and Administration. 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. Amounts less than \$100 can be credited to the General fund.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

2. Cash and Cash Equivalents and Cash with Fiscal Agent (Continued):

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 \$3,224,513 and \$596,601, respectively. The bank balance was \$4,218,380.

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, 2008, none of the district's bank balance of \$4,218,380 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 \$82,952.

3. Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/to Other Funds.

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 69,849
	Historical Grant Fund	35,708
	Other Governmental Funds	46,776
Other Governmental Funds	General Fund	2,021
Fiduciary Funds	General Fund	<u>10,518</u>
 Total		 <u>\$ 164,872</u>

All interfund loans from the General Fund were made to offset deficit cash balances. All other loans were for expenditures made by receiving funds that were due from the General Fund.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2008

B. Interfund Transfers

Transfer Out	Transfer In	Amount
General Fund	Other governmental funds	\$ 759,582
Title I fund	General fund	5,462
16th Section Interest Fund	General fund	100,000
Other governmental funds	General fund	124,562
16th Section Interest Fund	Capital improvements fund	<u>250,000</u>
Total		<u>\$ 1,239,606</u>

Transfers in and out were for indirect costs and construction activities.

4. Restricted Assets.

The restricted assets represent the cash balance totaling \$10,206 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash balance totaling \$1,023 in the Wofford Trust Fund.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

5. Capital Assets.

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

	Balance <u>7/1/2007</u>	Additions	Retirements	Balance <u>6/30/2008</u>
Non-depreciable capital assets:				
Land	\$ 104,048			104,048
Construction in progress		143,104		143,104
Total non-depreciable capital assets	<u>104,048</u>	<u>143,104</u>	<u>-</u>	<u>247,152</u>
Depreciable capital assets:				
Buildings	10,464,615			10,464,615
Improvements other than buildings	207,480			207,480
Mobile equipment	1,613,888	185,578		1,799,466
Furniture and equipment	149,459	67,316	(7,736)	209,039
Total depreciable capital assets	<u>12,435,442</u>	<u>252,894</u>	<u>(7,736)</u>	<u>12,680,600</u>
Less accumulated depreciation for:				
Buildings	3,087,754	188,436		3,276,190
Improvements other than buildings	134,136	4,405		138,541
Mobile equipment	1,015,059	96,095		1,111,154
Furniture and equipment	137,322	14,019	(7,659)	143,682
	<u>4,374,271</u>	<u>302,955</u>	<u>(7,659)</u>	<u>4,669,567</u>
Total depreciable capital assets, net	<u>8,061,171</u>	<u>(50,061)</u>	<u>(77)</u>	<u>8,011,033</u>
Governmental activities capital assets, net	<u>\$ 8,165,219</u>	<u>93,043</u>	<u>(77)</u>	<u>8,258,185</u>

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

Depreciation expense was charged to the following governmental functions:

Governmental activities:

Instruction	\$ 3,784
Support services	288,943
Non-instructional	<u>10,228</u>
 Total Depreciation Expense	 <u>\$ 302,955</u>

Commitments under construction contracts at June 30, 2008, are summarized as follows:

	<u>Spent to June 30, 2008</u>	<u>Remaining Commitment</u>
Governmental Activities		
East Webster High School Football Stadium	130,038	26,065
East Webster Elementary Gym	<u>13,066</u>	<u>37,340</u>
 Total	 <u>143,104</u>	 <u>63,405</u>

Construction projects included in governmental activities are funded with local funds transferred from the 16th section interest fund.

6. Long-term Liabilities:

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

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 6/30/2008</u>	<u>Amounts due within one year</u>
A. Limited obligation bonds payable	\$ 2,690,000		(180,000)	* 35,000	2,545,000	185,000
B. Three mill notes payable	517,200		(49,600)		467,600	51,400
C. Shortfall notes payable	69,007	85,792	(31,172)		123,627	52,337
D. Compensated absences payable	83,134	5,884	(2,428)	-	86,590	-
 Total	 <u>\$ 3,359,341</u>	 <u>91,676</u>	 <u>(263,200)</u>	 <u>35,000</u>	 <u>3,222,817</u>	 <u>288,737</u>

* represents proceeds of refunding bonds totalling \$2,360,000 less amount of old bonds defeased totalling \$2,325,000.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

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(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
* State aid capital improvement bonds Series 1998	4.2-6.0%	2/1/1998	2/1/2018	\$ 3,700,000	185,000
State aid capital improvement bonds Series 2008	4.4-4.7%	2/7/2008	2/1/2018	<u>2,360,000</u>	<u>2,360,000</u>
Total				<u>\$ 6,060,000</u>	<u>2,545,000</u>

* \$2,325,000 of these bonds were defeased during the year.

Details of the district's June 30, 2008 limited obligation bonds indebtedness are as follow:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 185,000	192,646	377,646
2010	95,000	82,094	177,094
2011	228,000	76,360	304,360
2012	237,000	68,107	305,107
2013	245,000	59,551	304,551
2014-2018	<u>1,555,000</u>	<u>158,419</u>	<u>1,713,419</u>
Total	<u>\$ 2,545,000</u>	<u>637,177</u>	<u>3,182,177</u>

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
For the Year Ended June 30, 2008**

Current Refunding.

On February 7, 2008, the district issued \$2,360,000 in limited obligation bonds payable with an average interest rate of 4.55% to advance refund of \$2,325,000 of outstanding limited obligation bonds payable with an average interest rate of 5.35%. The net proceeds of \$2,342,000 after payments of \$18,000 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the limited obligation bonds payable.

As a result, the limited obligation bonds payable are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the \$2,325,000 to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$103,405 and to obtain an economic gain of \$85,405.

B. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Hancock Bank, Series 2005	3.66%	8/4/2005	8/4/2015	\$ 565,000	467,600

Details of the district's June 30, three mill notes payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 51,400	17,114	68,514
2010	53,300	15,233	68,533
2011	55,200	13,282	68,482
2012	57,200	11,282	68,482
2013	59,300	9,168	68,468
2014-2018	191,200	14,161	205,361
Total	\$ 467,600	80,240	547,840

This debt will be retired from the 4091 Series Debt Service – note retirement fund.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

C. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Shortfall Note, Series 2005	5.68%	9/29/2005	9/29/2009	\$ 39,666	13,959
Revenue Shortfall Note, Series 2006	5.81%	9/20/2006	9/20/2009	34,840	23,876
Revenue Shortfall Note, Series 2007	6.65%	8/30/2007	8/30/2010	85,792	85,792
Total				\$ 160,298	123,627

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 52,337	7,885	60,222
2010	40,833	4,638	45,471
2011	30,457	2,025	32,482
Total	123,627	14,548	138,175

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

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

7. Other Commitments.

Commitment under construction contracts are described in Note 5.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2008

8. Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% 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, 2008, 2007 and 2006 were \$946,664, \$871,685, and \$827,340, respectively, which equaled the required contributions for each year.

9. Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from 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</u>	<u>Amount</u>
2009	\$ 67,202
2010	8,802
2011	6,272
2012	6,182
2013	6,182
2014-2018	19,171
2019-2023	675
2024-2028	375
2029-2033	175
Thereafter	<u>385</u>
Total	\$ <u><u>115,421</u></u>

WEBSTER COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

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.

11. Subsequent Events.

On August 5, 2008, the board approved the purchase of two school buses totaling \$139,000 each.

On September 9, 2008, the board approved the issuance of shortfall notes in the amount of \$93,103. These notes were financed through Hancock Bank and are to be repaid over a three year time period at an annual interest rate of 4.91%

12. Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; 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 95 school districts and one community college and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

WEBSTER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Webster County School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,284,240	2,315,119	2,314,534	30,879	(585)
State sources	8,662,283	8,604,877	8,604,877	(57,406)	0
Federal sources	90,807	98,782	98,782	7,975	0
Total Revenues	<u>11,037,330</u>	<u>11,018,778</u>	<u>11,018,193</u>	<u>(18,552)</u>	<u>(585)</u>
Expenditures:					
Instruction	6,827,288	6,989,551	6,930,799	(162,263)	58,752
Support services	3,491,883	3,577,700	3,551,122	(85,817)	26,578
Noninstructional services	0	7,366	7,366	(7,366)	0
Total Expenditures	<u>10,319,171</u>	<u>10,574,617</u>	<u>10,489,287</u>	<u>(255,446)</u>	<u>85,330</u>
Excess (Deficiency) of Revenues over Expenditures	<u>718,159</u>	<u>444,161</u>	<u>528,906</u>	<u>(273,998)</u>	<u>84,745</u>
Other Financing Sources (Uses):					
Proceeds of loans	0	85,792	85,792	85,792	0
Sale of transportation equipment	0	251	251	251	0
Operating transfers in	1,026,232	1,226,829	230,024	200,597	(996,805)
Operating transfers out	(1,714,053)	(1,766,387)	(759,582)	(52,334)	1,006,805
Total Other Financing Sources (Uses)	<u>(687,821)</u>	<u>(453,515)</u>	<u>(443,515)</u>	<u>234,306</u>	<u>10,000</u>
Net Change in Fund Balances	<u>30,338</u>	<u>(9,354)</u>	<u>85,391</u>	<u>(39,692)</u>	<u>94,745</u>
Fund Balances:					
July 1, 2007	792,627	864,786	864,786	72,159	0
June 30, 2008	<u>\$ 822,965</u>	<u>855,432</u>	<u>950,177</u>	<u>32,467</u>	<u>94,745</u>

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

Webster County School District
 Budgetary Comparison Schedule
 Title 1 Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 677,303	661,427	651,427	(15,876)	(10,000)
Total Revenues	<u>677,303</u>	<u>661,427</u>	<u>651,427</u>	<u>(15,876)</u>	<u>(10,000)</u>
Expenditures:					
Instruction	350,309	448,910	448,910	(98,601)	0
Support services	182,649	199,382	189,207	(16,733)	10,175
Noninstructional services	5,000	7,848	7,848	(2,848)	0
Total Expenditures	<u>537,958</u>	<u>656,140</u>	<u>645,965</u>	<u>(118,182)</u>	<u>10,175</u>
Excess (Deficiency) of Revenues over Expenditures	<u>139,345</u>	<u>5,287</u>	<u>5,462</u>	<u>(134,058)</u>	<u>175</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(6,500)</u>	<u>(5,462)</u>	<u>(5,462)</u>	<u>1,038</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(6,500)</u>	<u>(5,462)</u>	<u>(5,462)</u>	<u>1,038</u>	<u>0</u>
Net Change in Fund Balances	<u>132,845</u>	<u>(175)</u>	<u>0</u>	<u>(133,020)</u>	<u>175</u>
Fund Balances:					
July 1, 2007	0	175	0	175	(175)
June 30, 2008	<u>\$ 132,845</u>	<u>0</u>	<u>0</u>	<u>(132,845)</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
 16th Section Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 120,420	902,980	902,980	782,560	0
Total Revenues	120,420	902,980	902,980	782,560	0
Expenditures:					
Sixteenth section	1,600	7,025	6,325	(5,425)	700
Total Expenditures	1,600	7,025	6,325	(5,425)	700
Excess (Deficiency) of Revenues over Expenditures	118,820	895,955	896,655	777,135	700
Other Financing Sources (Uses):					
Operating transfers out	0	(350,000)	(350,000)	(350,000)	0
Total Other Financing Sources (Uses)	0	(350,000)	(350,000)	(350,000)	0
Net Change in Fund Balances	118,820	545,955	546,655	427,135	700
Fund Balances:					
July 1, 2007	999,324	1,024,932	1,024,933	25,608	1
June 30, 2008	\$ 1,118,144	1,570,887	1,571,588	452,743	701

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

Webster County School District
 Budgetary Comparison Schedule
 Historical Grant Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ 88,000	61,386	64,048	(26,614)	2,662
Total Revenues	88,000	61,386	64,048	(26,614)	2,662
Expenditures:					
Support services	110,000	76,224	73,774	33,776	2,450
Total Expenditures	110,000	76,224	73,774	33,776	2,450
Excess (Deficiency) of Revenues over Expenditures	(22,000)	(14,838)	(9,726)	7,162	5,112
Other Financing Sources (Uses):					
Operating transfers in	22,000			(22,000)	0
Total Other Financing Sources (Uses)	22,000	0	0	(22,000)	0
Net Change in Fund Balances	0	(14,838)	(9,726)	(14,838)	5,112
Fund Balances:					
July 1, 2007	0	15,714	15,714	15,714	0
June 30, 2008	\$ 0	876	5,988	876	5,112

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, 2008**

Budgetary Comparison Schedule

1. Basis of Presentation.

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

2. Budget Amendments and Revisions.

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

WEBSTER COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Webster County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog Of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed through the Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10.553	145,589
National school lunch program	10.555	484,959
Total		<u>630,548</u>
Total U.S. Department of Agriculture		<u>630,548</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	67,690
Total Federal Communications Commission		<u>67,690</u>
<u>U.S. Department of Education</u>		
Passed through the Mississippi Department of Education:		
Title I, grants to local educational agencies	84.010	651,427
Career and technical education - basic grants to states	84.048	22,778
Safe and drug free schools and communities - state grants	84.186	12,653
State grants for innovative programs	84.298	2,119
Education technology state grants	84.318	3,812
Rural education	84.358	51,980
Improving teacher quality - state grants	84.367	135,932
Grants for state assessments and related activities	84.369	5,458
Total		<u>886,159</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	380,443
Special Education - Preschool Grants	84.173	22,783
Total Special Education Cluster		<u>403,226</u>
Total U.S. Department of Education		<u>1,289,385</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	13,721
Total U.S. Department of Health and Human Services		<u>13,721</u>
Total for All Federal Awards		<u>\$ 2,001,344</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, 2008

Expenditures	Total	Instruction and Other Student Instructional Expenditures		
		General Administration	School Administration	Other
Salaries and fringe benefits \$	10,937,274	326,560	777,930	1,120,750
Other	3,782,145	91,953	22,599	2,525,409
Total	\$ 14,719,419	418,513	800,529	3,646,159
Total number of students*	1,723			
Cost per student	\$ 8,543	243	465	2,116

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.

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

Note: 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

OTHER SUPPLEMENTAL INFORMATION

Webster County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 2,314,534	2,280,617	2,276,110	2,044,708
State sources	8,604,877	8,148,282	7,882,383	7,146,482
Federal sources	98,782	99,455	66,778	58,994
Total Revenues	<u>11,018,193</u>	<u>10,528,354</u>	<u>10,025,271</u>	<u>9,250,182</u>
Expenditures:				
Instruction	6,930,799	6,618,711	6,480,175	6,005,967
Support services	3,551,122	3,169,841	3,062,636	2,810,985
Noninstructional services	7,366	6,453	8,706	7,030
Total Expenditures	<u>10,489,287</u>	<u>9,795,005</u>	<u>9,559,517</u>	<u>8,823,982</u>
Excess (Deficiency) of Revenues over Expenditures	<u>528,906</u>	<u>733,349</u>	<u>465,754</u>	<u>426,200</u>
Other Financing Sources (Uses):				
Proceeds of loans	85,792	34,840	39,666	21,000
Insurance loss recoveries		1,763	89,960	
Sale of transportation equipment	251	4,838	5,440	
Operating transfers in	230,024	143,736	145,575	177,095
Operating transfers out	<u>(759,582)</u>	<u>(740,986)</u>	<u>(666,290)</u>	<u>(655,325)</u>
Total Other Financing Sources (Uses)	<u>(443,515)</u>	<u>(555,809)</u>	<u>(385,649)</u>	<u>(457,230)</u>
Net Change in Fund Balances	<u>85,391</u>	<u>177,540</u>	<u>80,105</u>	<u>(31,030)</u>
Fund Balances:				
July 1,	864,786	687,246	607,141	638,094
Prior period adjustments				77
July 1, as restated	<u>864,786</u>	<u>687,246</u>	<u>607,141</u>	<u>638,171</u>
June 30,	<u>\$ 950,177</u>	<u>864,786</u>	<u>687,246</u>	<u>607,141</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

Webster County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 2,860,508	2,589,345	2,585,070	2,332,343
Intermediate sources	53,136			
State sources	9,481,156	8,933,135	8,465,005	7,964,266
Federal sources	2,020,257	1,913,534	1,856,951	1,822,852
Sixteenth section sources	1,046,574	297,055	128,603	209,060
Total Revenues	15,261,629	13,733,069	13,035,629	12,328,521
Expenditures:				
Instruction	8,611,616	8,201,315	8,085,944	7,527,708
Support services	4,604,347	3,995,753	4,213,314	3,593,296
Noninstructional services	914,408	779,923	814,451	793,626
Sixteenth section	24,323	59,099	1,016	26,021
Facilities acquisition and construction	143,104			133,461
Debt service:				
Principal	260,772	237,299	319,598	276,206
Interest	140,840	148,949	138,046	154,191
Other	20,009	642	657	
Total Expenditures	14,719,419	13,422,980	13,573,026	12,504,509
Excess (Deficiency) of Revenues over Expenditures	542,210	310,089	(537,397)	(175,988)
Other Financing Sources (Uses):				
Proceeds of refunding bonds	2,360,000			
Proceeds of loans	85,792	34,840	604,666	21,000
Insurance loss recoveries		1,763	89,960	
Sale of transportation equipment	251	4,838	5,440	
Operating transfers in	1,239,606	884,722	811,865	965,569
Operating transfers out	(1,239,606)	(884,722)	(811,865)	(965,569)
Payment to refunded bond escrow agent	(2,342,000)			
Total Other Financing Sources (Uses)	104,043	41,441	700,066	21,000
Net Change in Fund Balances	646,253	351,530	162,669	(154,988)
Fund Balances:				
July 1,	2,962,173	2,603,701	2,434,299	2,586,320
Prior period adjustments			6,710	85
July 1, as restated	2,962,173	2,603,701	2,441,009	2,586,405
 Increase (Decrease) in reserve for inventory	 (1,605)	 6,942	 23	 2,882
June 30,	\$ 3,606,821	2,962,173	2,603,701	2,434,299

*SOURCE - PRIOR YEAR AUDIT REPORTS

WEBSTER COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



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

James L. Stafford, CPA
Harry W. Stevens, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
Gary C. Hamilton, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA

Marsha L. McDonald, CPA
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John N. Russell, CPA
Kenny R. Dickerson, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA

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

Superintendent and School Board
Webster County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County School District as of and for the year ended June 30, 2008, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated March 10, 2009. 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 2008-1, 2008-2, 2008-3, and 2008-4, 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*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated March 10, 2009, which is included in this report.

Webster County School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Webster County School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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 10, 2009

Watkins, Ward and Stafford PLLC



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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, 2008. 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 each of its major federal programs for the year ended June 30, 2008.

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 a federal program 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
March 10, 2009

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, 2008, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated March 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,223 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 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 are as follows:

1. Finding

Section 37-6-15 Miss Code Ann. (1972) requires that school board members shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. Section 37-9-31 Miss Code Ann. (1972) requires that school principals shall be bonded for at least \$25,000 and those bonds shall be recorded and on file at the chancery clerk's office. Section 37-39-21 requires that purchasing agents shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted no surety bond coverage was obtained for two board members, four principals and two purchasing agents. Also the surety bond was not recorded and on file for one principal and one purchasing agent.

The cause of this condition was due to the insurance agent not billing the school district for the annual billing for surety bond coverage.

Recommendation

We recommend the school district comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

School District Response

We will comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

2. Finding

Section 29-3-57, Miss Code Ann. (1972), requires the superintendent of education to collect promptly all rentals due on sixteenth section leases. This section further stipulates that upon a 60 day default in payment of any rentals according to the terms of the lease, the lease shall be terminated unless the board finds extenuating circumstances were present.

Per examination of annual lease schedule and review of selected leases, we noted that no board action was taken as required by Section 29-3-57, Miss Code Ann. (1972) on those leases that were 60 days past due on a consistent basis.

Inadequate understanding of the laws concerning sixteenth section leases resulted in the noncompliance.

Noncompliance with Section 29-3-57, Miss Code Ann. (1972) could result in the district not receiving rental income for the use of the sixteenth section lands and forfeiture of any interest that the district could have earned on this income.

Recommendation

We recommend the district comply with Section 29-3-57, Miss Code Ann. (1972) and terminate any leases greater than 60 days in default unless extenuating circumstances are present and those circumstances are documented in the minutes.

School District Response

We will comply with Section 29-3-57, Miss Code Ann. (1972) and terminate any leases greater than 60 days in default unless extenuating circumstances are present.

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.

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

This report is intended solely for the information and use of the school board and management, entities with the 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
March 10, 2009

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, 2008

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? (Yes or No) | 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? (Yes or No) | 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. Special Education Cluster
CFDA #84.027
CFDA #84.173 | |
| b. Title 1 grants to local educational agencies
CFDA #84.010 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

WEBSTER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 2: Financial Statement Findings

Significant deficiencies, not considered to be material weaknesses

2008-1 Finding

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

- We noted two instances where the applicable cashiers/gate workers are not signing the athletic event transmittal forms verifying cash collections for the applicable athletic event. (This occurred at East Webster High School)
- We noted 11 instances where there was a significant time delay between the date of a receipt and the date the applicable receipt was deposited into the bank. (Occurred primarily at EWHS however there were 2 instances at Eupora High School and 1 at East Webster Elementary.
- We noted that receipts were issued out of numerical sequence at the East Webster High School during the month of February.

Recommendation

We recommend that all cashiers/gate workers sign all applicable event transmittal forms for athletic events 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. We also recommend that receipts be completed in sequential order with each school's secretary maintaining custody of the receipt book and the receipts being deposited in a timely manner.

School District Response

All cashiers/gate workers will sign all applicable event transmittal forms for athletic events they work to verify cash collected at the applicable event and all athletic event forms will be completed in a timely basis, preferably by the next business day, and be receipted and deposited into the bank in a timely fashion. Receipts be completed in sequential order with each school's secretary maintaining custody of the receipt book and the receipts being deposited in a timely manner

2008-2 Finding

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

- We noted one instance where a purchase order could not be located.
- We noted one instance where there was a variance between the transaction amount and the purchase order amount.
- 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 all the invoices be cancelled as paid when payment is made. We also recommend that a purchase order be prepared and authorized in advance to any goods or services being ordered.

WEBSTER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

School District Response

Invoices will not be paid until proof that the applicable goods or services have actually been received has been obtained and all the invoices will be cancelled as paid when payment is made. Also goods or services will not be ordered until a purchased order is prepared and properly authorized.

2008-3 Finding

Per our review of year end claims payable we noted that a few manual checks were not approved by the board prior to payment. This occurred due to simple oversight as one manual check docket was simply left off the board minutes.

Recommendation

We recommend the district implement procedures to ensure that all manual checks are approved by the board prior to payment.

School District Response

All manual checks will be approved by the board prior to payment.

2008-4 Finding

Per our review of activity fund disbursements we noted the following internal control deficiencies:

- We noted several checks that were signed by the applicable principal (Eupora High School) but were voided. These checks were to be for officials for a softball game, but the game was cancelled. A check should never be signed until there is a payee and amount written on the check.
- We noted two instances where there was no invoice or other supporting documentation noted for a transaction. (1 at Eupora High School and 1 at the Votek).
- We noted that sometimes purchase orders are being marked as paid rather than the applicable invoice. The invoice should be marked as paid so as to prevent a duplicate payment of the same invoice. (East Webster Elementary).
- We noted two instances where a purchase order was not signed. (Eupora High School).
- There were errors in posting disbursements at East Webster High School that caused the activity fund to owe the agency fund of the school \$10,488.54 at June 30, 2008. This disbursements were paid out of the agency fund rather than the activity fund.

Recommendation

We recommend that no blank check be signed by a principal and that no transaction be paid unless there is adequate supporting documentation for that payment that would include an invoice and a signed purchase order (if applicable). Also all invoices that are paid should be cancelled as paid.

WEBSTER COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

School District Response

Blank checks will not be signed by a principal and no transaction will be paid unless there is adequate supporting documentation for that payment that would include an invoice and a signed purchase order. All invoices paid will be cancelled as paid.

Section 3: Federal Award Findings and Questioned Costs

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