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**WEBSTER COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2011**

**WEBSTER COUNTY SCHOOL DISTRICT  
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**INDEPENDENT AUDITOR'S REPORT**



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**INDEPENDENT AUDITOR'S REPORT**

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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, on our consideration of the Webster County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, 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 do not express an opinion or provide any assurance on it.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi

February 27, 2012

*Watkins, Ward and Stafford, PLLC*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of Webster County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2011 increased \$296,236, including a prior period adjustment of \$12,972, which represents a 3.6% increase from fiscal year 2010. Total net assets for 2010 increased \$1,578, which represents a 0.02% increase from fiscal year 2009.
- General revenues amounted to \$11,644,390 and \$11,040,303, or 76% and 77% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,633,362, or 24% of total revenues for 2011, and \$3,363,956, or 23 % of total revenues for 2010.
- The District had \$14,295,360 and \$14,402,681 in expenses for fiscal years 2011 and 2010; only \$3,633,362 for 2011 and \$3,363,956 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,644,390 for 2011 and \$11,040,303 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,509,466 in revenues and \$9,330,393 in expenditures for 2011, and \$10,373,306 in revenues and \$10,009,371 in expenditures in 2010. The General Fund's fund balance increased by \$650,653 from 2010 to 2011, and increased by \$719,619 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$932,921 for 2011 and decreased by \$272,927 for 2010. The decrease for 2011 was due to the disposal of a building and equipment due to tornado damage and a \$784,037 impairment loss, coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$1,232,868 for 2011 and decreased by \$27,495 for 2010. This increase for 2011 was due primarily to the issuance of qualified school construction bonds payable and shortfall notes payable. The liability for compensated absences increased by \$12,093 for 2011 and increased by \$4,991 for 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

The Statement of Activities presents information showing how the District's net 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 periods.

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

## **Notes to the financial statements**

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

## **Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

## **Supplemental Information**

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

## **Other Information**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$8,627,034 as of June 30, 2011.

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

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1**  
**Condensed Statement of Net Assets**

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 5,940,523	\$ 3,300,970	79.96 %
Restricted assets	11,279	11,291	-0.11 %
Capital assets, net	7,428,138	8,361,059	-11.16 %
<b>Total assets</b>	<b>13,379,940</b>	<b>11,673,320</b>	<b>14.62 %</b>
Current liabilities	496,363	318,847	55.67 %
Long-term debt outstanding	4,256,543	3,023,675	40.77 %
<b>Total liabilities</b>	<b>4,752,906</b>	<b>3,342,522</b>	<b>42.20 %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,583,438	5,733,159	-37.50 %
Restricted	3,449,624	1,638,252	110.57 %
Unrestricted	1,593,972	959,387	66.14 %
<b>Total net assets</b>	<b>\$ 8,627,034</b>	<b>\$ 8,330,798</b>	<b>3.56 %</b>

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

- Decrease in net capital assets in the amount of \$932,921, primarily due to an impairment loss of \$784,037.
- The principal retirement of \$404,935 of long-term debt.

## Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$15,277,752 and \$14,404,259, respectively. The total cost of all programs and services was \$14,295,360 for 2011 and \$14,402,681 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2**  
**Changes in Net Assets**

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,114,613	\$ 847,216	31.56 %
Operating grants and contributions	2,469,924	2,469,726	0.01 %
Capital Grants and Contributions	48,825	47,014	3.85 %
General revenues:			
Property taxes	2,216,545	2,046,450	8.31 %
Grants and contributions not restricted	8,772,442	8,545,100	2.66 %
Investment earnings	7,174	13,131	(45.37) %
Sixteenth section sources	496,233	341,195	45.44 %
Other	151,996	94,427	60.97 %
<b>Total revenues</b>	<b>15,277,752</b>	<b>14,404,259</b>	<b>6.06 %</b>
<b>Expenses:</b>			
Instruction	8,540,774	8,833,831	(3.32) %
Support services	4,753,137	4,532,600	4.87 %
Non-instructional	834,313	892,741	(6.54) %
Sixteenth section	28,993	33,798	(14.22) %
Interest on long-term liabilities	138,143	109,711	25.92 %
<b>Total expenses</b>	<b>14,295,360</b>	<b>14,402,681</b>	<b>(0.75) %</b>
Extraordinary Item	(699,128)	-	N/A
<b>Increase (Decrease) in net assets</b>	<b>283,264</b>	<b>1,578</b>	<b>17,851 %</b>
<b>Net Assets, July 1, as originally reported</b>	<b>8,330,798</b>	<b>8,329,220</b>	<b>0.02 %</b>
<b>Prior Period Adjustment</b>	<b>12,972</b>	<b>-</b>	<b>N/A</b>
<b>Net Assets, July 1, as restated</b>	<b>8,343,770</b>	<b>8,329,220</b>	<b>0.17 %</b>
<b>Net Assets, June 30</b>	<b>\$ 8,627,034</b>	<b>\$ 8,330,798</b>	<b>4 %</b>

## Governmental activities

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

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 8,540,774	\$ 8,833,831	(3.32) %
Support services	4,753,137	4,532,600	4.87 %
Non-instructional	834,313	892,741	(6.54) %
Sixteenth section	28,993	33,798	(14.22) %
Interest on long-term liabilities	138,143	109,711	25.92 %
<b>Total expenses</b>	<b>\$ 14,295,360</b>	<b>\$ 14,402,681</b>	<b>(0.75) %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (6,773,991)	\$ (7,050,537)	(3.92) %
Support services	(3,823,884)	(3,929,407)	(2.69) %
Non-instructional	61,827	39,068	58.25 %
Sixteenth section	12,193	11,862	2.79 %
Interest on long-term liabilities	(138,143)	(109,711)	25.92 %
<b>Total net (expense) revenue</b>	<b>\$ (10,661,998)</b>	<b>\$ (11,038,725)</b>	<b>(3.41) %</b>

Net cost of governmental activities (\$10,661,998 for 2011 and \$11,038,725 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,216,545 for 2011 and \$2,046,450 for 2010) and state and federal revenues (\$8,772,442 for 2011 and \$8,545,100 for 2010). In addition, there was \$496,233 and \$341,195 in Sixteenth Section sources for 2011 and 2010, respectively.

Investment earnings amounted to \$7,174 for 2011 and \$13,131 for 2010.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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 \$5,544,030, an increase of \$2,495,066, which includes an increase in inventory of \$7,313. \$1,855,022 or 34% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,689,008 or 66% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$650,653. The fund balance of Other Governmental Funds showed an decrease in the amount of \$119,267, which includes an increase in reserve for inventory of \$7,313. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title 1	\$	no increase or decrease
16th Section Interest	\$	497,594
EWHS Disaster		no increase or decrease
QSCB Bonds		1,466,086

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$12,899,451, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents a decrease of \$726,384 from 2010. Total accumulated depreciation as of June 30, 2011, was \$5,471,313, and total depreciation expense for the year was \$351,252, resulting in total net capital assets of \$7,428,138.

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

	June 30, 2011	June 30, 2010	Percentage Change
Land	\$ 124,048	\$ 124,048	0.00 %
Construction in Progress	181,647	-	N/A %
Buildings	5,843,953	6,811,553	(14.21) %
Building improvements	192,163	200,898	(4.35) %
Improvements other than buildings	292,108	319,997	(8.72) %
Mobile equipment	604,619	697,705	(13.34) %
Furniture and equipment	189,600	206,858	(8.34) %
<b>Total</b>	<b>\$ 7,428,138</b>	<b>\$ 8,361,059</b>	<b>(11.16) %</b>

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

**Debt Administration.** At June 30, 2011, the District had \$4,256,543 in outstanding long-term debt, of which \$444,360 is due within one year. The liability for compensated absences increased \$12,093 from the prior year. Also, the District issued \$1,500,000 in qualified construction bonds payable.

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

	June 30, 2011	June 30, 2010	Percentage Change
Limited obligation bonds payable	\$ 2,037,000	\$ 2,265,000	(10.07) %
Three mill notes payable	307,700	362,900	(15.21) %
Shortfall notes payable	284,182	278,787	1.94 %
Obligations under capital leases		1,420	(100.00) %
Qualified school construction bonds payable	1,500,000		N/A %
Compensated absences payable	127,661	115,568	10.46 %
<b>Total</b>	<b>\$ 4,256,543</b>	<b>\$ 3,023,675</b>	<b>40.77 %</b>

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

## **CURRENT ISSUES**

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

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

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

Enrollment for the 2010-2011 year decreased by 8% to 1,792 students.

During the current year the district is dealing with the impact of the tornado that affected the area on April 27, 2011. East Webster High School sustained significant damage due to this tornado. The district has received funding through FEMA and insurance proceeds to assist in paying for cleanup of the destruction and construction of a new high school. The district is renting the property formerly known as Wood College as a temporary facility until the new high school is constructed. As of the date of this report the district has received \$837,710 of funds from FEMA and insurance proceeds of \$8,327,465.

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

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

**FINANCIAL STATEMENTS**

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2011**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 5,075,871
Cash with fiscal agents	126,422
Due from other governments	691,951
Other receivables, net	1,495
Inventories	44,784
Restricted assets	11,279
Capital assets, non-depreciable:	
Land	124,048
Construction in progress	181,647
Capital assets, net of accumulated depreciation:	
Buildings	5,843,953
Building improvements	192,163
Improvements other than buildings	292,108
Mobile equipment	604,619
Furniture and equipment	189,600
Total Assets	<u>13,379,940</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	407,772
Interest payable on long-term liabilities	88,591
Long-term liabilities, due within one year:	
Capital related liabilities	294,200
Non-capital related liabilities	134,160
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,550,500
Non-capital related liabilities	277,683
Total Liabilities	<u>4,752,906</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	3,583,438
Restricted for:	
Expendable:	
School-based activities	1,254,858
Debt service	409,089
Capital improvements	1,466,086
Forestry improvements	267,528
Unemployment benefits	40,784
Non-expendable:	
Sixteenth section	10,267
Other	1,012
Unrestricted	1,593,972
Total Net Assets	<u>\$ 8,627,034</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, 2011**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 8,540,774	\$ 509,096	\$ 1,208,862	\$ 48,825		\$ (6,773,991)
Support services	4,753,137	286,550	642,703			(3,823,884)
Non-Instructional	834,313	277,781	618,359			61,827
Sixteenth section	28,993	41,186				12,193
Interest on long-term liabilities	138,143					(138,143)
<b>Total Governmental Activities</b>	<b>\$ 14,295,360</b>	<b>\$ 1,114,613</b>	<b>\$ 2,469,924</b>	<b>\$ 48,825</b>		<b>\$ (10,661,998)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
						2,080,131
						136,414
<b>Unrestricted grants and contributions:</b>						
						7,754,681
						1,017,761
						7,174
						496,233
						151,996
						<u>11,644,390</u>
						(699,128)
						<u>10,945,262</u>
						<u>283,264</u>
						8,330,798
						<u>12,972</u>
						<u>8,343,770</u>
						<u>\$ 8,627,034</u>

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

WEBSTER COUNTY SCHOOL DISTRICT  
 Governmental Funds  
 Balance Sheet  
 June 30, 2011

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Title 1 Fund	16th Section Interest Fund	EWHS Disaster Fund	QSCB Bonds Fund	Other Governmental Funds		
<b>Assets</b>								
Cash and cash equivalents	\$ 1,822,650	\$	\$ 1,174,819	\$ 40,375	\$ 1,479,234	\$ 570,068	\$ 5,087,146	
Cash with fiscal agents						126,422	126,422	
Due from other governments	165,426	57,730	150	228,311		240,334	691,951	
Other receivables, net	1,340					155	1,495	
Due from other funds	120,951					5,253	126,204	
Inventories						44,784	44,784	
Total assets	\$ 2,110,367	\$ 57,730	\$ 1,174,969	\$ 268,686	\$ 1,479,234	\$ 987,016	\$ 6,078,002	
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 99,299	\$ 4,119	\$ 6,763	\$ 265,627	\$ 13,148	\$ 18,817	\$ 407,773	
Due to other funds	5,253	53,611	21	3,059		64,255	126,199	
Total Liabilities	\$ 104,552	\$ 57,730	\$ 6,784	\$ 268,686	\$ 13,148	\$ 83,072	\$ 533,972	
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Inventory						44,784	44,784	
Permanent fund principal						11,279	11,279	
<b>Restricted:</b>								
Debt service						497,680	497,680	
Capital projects					1,466,086		1,466,086	
Forestry improvement purposes						267,528	267,528	
Grant activities						41,889	41,889	
Unemployment benefits						40,784	40,784	
<i>Other purposes</i>			1,168,185				1,168,185	
<b>Assigned:</b>								
<i>Other purposes</i>	150,793						150,793	
<b>Unassigned</b>	1,855,022						1,855,022	
Total Fund Balances	2,005,815	0	1,168,185	0	1,466,086	903,944	5,544,030	
Total Liabilities and Fund Balances	\$ 2,110,367	\$ 57,730	\$ 1,174,969	\$ 268,686	\$ 1,479,234	\$ 987,016	\$ 6,078,002	

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

**WEBSTER COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2011**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 5,544,030

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

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

Land	\$ 124,048	
Construction in progress	181,647	
Buildings	9,589,834	
Building improvements	218,367	
Improvements other than buildings	421,997	
Mobile equipment	1,892,816	
Furniture and equipment	470,742	
Accumulated depreciation	<u>(5,471,313)</u>	7,428,138

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

Limited obligation bonds	(2,037,000)	
Notes payable	(591,882)	
Qualified School Construction Bonds	(1,500,000)	
Compensated Absences	(127,661)	
Accrued Interest payable	<u>(88,591)</u>	(4,345,134)

**Net assets of governmental activities** \$ 8,627,034

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2011**

**Exhibit D**

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title 1 Fund	16th Section Interest Fund	EWHS Disaster Fund	QSCB Bonds Fund		
<b>Revenues:</b>							
Local sources	\$ 2,822,183	\$	\$	\$	1,277	\$ 279,938	\$ 3,103,398
State sources	7,538,656					719,311	8,257,967
Federal sources	148,627	499,094				2,385,503	3,033,224
Sixteenth section sources			498,857			42,571	541,428
<b>Total Revenues</b>	<b>10,509,466</b>	<b>499,094</b>	<b>498,857</b>	<b>0</b>	<b>1,277</b>	<b>3,427,323</b>	<b>14,936,017</b>
<b>Expenditures:</b>							
Instruction	5,982,402	325,835		55,185		2,141,797	8,505,219
Support services	3,325,540	166,634		274,336	1,500	722,639	4,490,649
Noninstructional services	4,057	861				826,009	830,927
Sixteenth section			1,263			27,730	28,993
Facilities acquisition and construction	16,194			118,790	33,691		168,675
Debt service:							
Principal	1,420					403,515	404,935
Interest	780					103,287	104,067
Other						1,035	1,035
<b>Total Expenditures</b>	<b>9,330,393</b>	<b>493,330</b>	<b>1,263</b>	<b>448,311</b>	<b>35,191</b>	<b>4,226,012</b>	<b>14,534,500</b>
Excess (Deficiency) of Revenues over (under) Expenditures	1,179,073	5,764	497,594	(448,311)	(33,914)	(798,689)	401,517
<b>Other Financing Sources (Uses):</b>							
Bonds and notes issued	125,710				1,500,000		1,625,710
Insurance recovery	12,215			448,311			460,526
Operating transfers in	200,842					867,187	1,068,029
Operating transfers out	(867,187)	(5,764)				(195,078)	(1,068,029)
<b>Total Other Financing Sources (Uses)</b>	<b>(528,420)</b>	<b>(5,764)</b>	<b>0</b>	<b>448,311</b>	<b>1,500,000</b>	<b>672,109</b>	<b>2,066,236</b>
<b>Net Change in Fund Balances</b>	<b>650,653</b>	<b>0</b>	<b>497,594</b>	<b>0</b>	<b>1,466,086</b>	<b>(126,580)</b>	<b>2,487,753</b>
<b>Fund Balances:</b>							
July 1, 2010	1,355,162	0	670,591	0	0	1,023,211	3,048,964
Increase (Decrease) in reserve for inventory						7,313	7,313
<b>June 30, 2011</b>	<b>\$ 2,005,815</b>	<b>\$ 0</b>	<b>\$ 1,168,185</b>	<b>\$ 0</b>	<b>\$ 1,466,086</b>	<b>\$ 903,944</b>	<b>\$ 5,544,030</b>

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

**WEBSTER COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2011**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 2,487,753**

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

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

Capital outlay	\$ 223,426	
Depreciation expense	<u>(351,252)</u>	(127,826)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (818,067)

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

Bonds and notes issued	(1,625,710)	
Payments of debt principal	404,935	
Accrued interest payable	(33,041)	
Deferred issuance costs	<u>                    </u>	(1,253,816)

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

Change in compensated absences	(12,093)	
Change in inventory reserve	7,313	
	<u>                    </u>	(4,780)

**Change in net assets of governmental activities** **\$ 283,264**

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2011**

**Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 571	\$ 548,191
Other receivables, net		434
Total Assets	<u>571</u>	<u>\$ 548,625</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		\$ 437,728
Due to other funds		5
Due to student clubs		110,892
Total Liabilities	<u>0</u>	<u>\$ 548,625</u>
<b>Net Assets</b>		
Reserved for endowments		
Held in trust	<u>571</u>	
Total Net Assets	<u>\$ 571</u>	

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2011**

**Exhibit F**

	<u>Private-Purpose Trust Funds</u>
<b>Additions</b>	
Total Additions	<u>\$          0</u>
<b>Deductions</b>	
Scholarships awarded	<u>          500</u>
Total Deductions	<u>          500</u>
Change In Net Assets	<u>         (500)</u>
<b>Net Assets</b>	
July 1, 2010	<u>         1,071</u>
June 30, 2011	<u>\$          571</u>

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

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2011

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

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

##### A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

##### B. Financial Reporting Entity

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

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

##### C. Government-wide and Fund Financial Statements

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

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

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

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2011

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

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

The school district reports the following major governmental funds:

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

Title 1 Fund- This is the school district's fund that operates the Title 1 grants to local education agencies passed through the Mississippi Department of Education.

16<sup>th</sup> Section Interest Fund- This is the school district's fund that accounts for the expendable funds derived from sixteenth section or lieu funds.

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

QSCB Bonds Fund- This is the school district's fund that accounts for the proceeds of QSCB bonds to be used for construction of and renovations to school district buildings.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2011

#### FIDUCIARY FUNDS

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

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

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2011

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

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

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

#### **E. Encumbrances**

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

#### **F. Assets, liabilities, and net assets/fund balances**

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

###### Cash and cash equivalents

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

###### Investments

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

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

Investments for the district are reported at fair market value.

##### **2. Receivables and payables**

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

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

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2011

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

**WEBSTER COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2011**

The following schedule details the capitalization thresholds:

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

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

**7. Compensated Absences**

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

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

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

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

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 Balances**

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

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

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2011

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the school board.

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

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance. It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of at least 7% of total revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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

**WEBSTER COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,087,146 and \$548,762, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$ 6,373,569 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$126,422.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title 1-A Basic	\$ 53,611
	Sixteenth Section Interest	21
	EWHS Disaster Fund	3,059
	Other governmental funds	64,255
	Agency Funds	5
Other governmental funds	General Fund	5,253
Total		<u>\$ 126,204</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 the Financial Statements  
For the Year Ended June 30, 2011**

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 867,187
Title 1-A Basic	General Fund	5,764
Other governmental funds	General Fund	195,078
Total		<u>\$ 1,068,029</u>

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$10,267 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 and other receivable balance totaling \$1,008 and \$4, respectively, in the Wofford Trust Fund.

**Note 5 – Capital Assets**

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

	<u>Balance 7/1/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance 6/30/2011</u>
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 124,048	\$	\$	\$	\$ 124,048
Construction in progress		168,675		12,972	181,647
Total non-depreciable capital assets	<u>124,048</u>	<u>168,675</u>	<u>-</u>	<u>12,972</u>	<u>305,695</u>
<u>Depreciable capital assets:</u>					
Buildings	10,464,615		874,781		9,589,834
Building improvements	218,367				218,367
Improvements other than buildings	488,734		66,737		421,997
Mobile equipment	1,899,266		6,450		1,892,816
Furniture and equipment	430,805	54,751	14,814		470,742
Total depreciable capital assets	<u>13,501,787</u>	<u>54,751</u>	<u>962,782</u>	<u>-</u>	<u>12,593,756</u>
<u>Less accumulated depreciation for:</u>					
Buildings	3,653,062	165,414	72,595		3,745,881
Building improvements	17,469	8,735			26,204
Improvements other than buildings	168,737	14,542	53,390		129,889
Mobile equipment	1,201,561	90,699	4,063		1,288,197
Furniture and equipment	223,947	71,862	14,667		281,142
Total accumulated depreciation	<u>5,264,776</u>	<u>351,252</u>	<u>144,715</u>	<u>-</u>	<u>5,471,313</u>
Total depreciable capital assets, net	<u>8,237,011</u>	<u>(296,501)</u>	<u>818,067</u>	<u>-</u>	<u>7,122,443</u>
Governmental activities capital assets, net	<u>\$ 8,361,059</u>	<u>\$ (127,826)</u>	<u>\$ 818,067</u>	<u>12,972</u>	<u>\$ 7,428,138</u>

**WEBSTER COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Adjustments consist of construction on the East Webster High School Softball Field incurred during the 2009-2010 school year.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
Instruction	\$ 84,425
Support services	257,306
Non-Instructional	9,521
Total depreciation expense - Governmental activities	<u>\$ 351,252</u>

Construction in progress is composed of:

	<u>Spent to June 30, 2011</u>	<u>Remaining Commitment</u>
<b>Governmental Activities:</b>		
East Webster High School	\$ 118,790	\$ 10,507,570
QSCB School Improvements	33,691	1,466,086
East Webster High School Softball Field	29,166	5,000
Total governmental activities	<u>181,647</u>	<u>11,978,656</u>

Construction projects included in governmental activities are funded with the various financial resources. East Webster High School incurred substantial damage in the April 27, 2011 tornado. The district is to receive \$8,779,476 in insurance recovery funds and approximately \$1,800,000 in FEMA funds. The remaining balance will have to be funded with district resources. The QSCB school improvement projects are funded 100% with the proceeds of QSCB bonds received during the current fiscal year. The East Webster High School Softball field is being funded with activity funds from East Webster High School.

**Note 6 – Long-term Liabilities**

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

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Amounts due within one year</u>
A. Limited obligation bonds payable	2,265,000		228,000	2,037,000	237,000
B. Three mill notes payable	362,900		55,200	307,700	57,200
C. Shortfall notes payable	278,787	125,710	120,315	284,182	134,160
D. Obligations under capital leases	1,420		1,420	-	-
E. Qualified school construction bonds payable	-	1,500,000		1,500,000	-
F. Compensated absences payable	115,568	15,272	3,179	127,661	-
<b>Total</b>	<u>\$ 3,023,675</u>	<u>\$ 1,640,982</u>	<u>\$ 408,114</u>	<u>\$ 4,256,543</u>	<u>\$ 428,360</u>

**WEBSTER COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. State Aid Capital Improvement Bonds, Series 2008	3.55%	2/7/2008	2/1/2018	\$ 2,360,000	\$ 2,037,000
Total				<u>\$ 2,360,000</u>	<u>\$ 2,037,000</u>

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

Limited obligation bond issue of 2/7/2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 237,000	\$ 68,107	\$ 305,107
2013	245,000	59,551	304,551
2014	254,000	50,694	304,694
2015	263,000	41,517	304,517
2016	272,000	32,021	304,021
2017 - 2021	766,000	34,187	800,187
Total	<u>\$ 2,037,000</u>	<u>\$ 286,077</u>	<u>\$ 2,323,077</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.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note, Series 2005	3.66%	8/4/2005	8/4/2015	\$ 565,000	\$ 307,700
Total				<u>\$ 565,000</u>	<u>\$ 307,700</u>

**WEBSTER COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

1. Three mill notes payable issue of 8/4/2005:

Year Ending June 30	Principal	Interest	Total
2012	\$ 57,200	\$ 11,262	\$ 68,462
2013	59,300	9,168	68,468
2014	61,500	6,998	68,498
2015	63,700	4,747	68,447
2016	66,000	2,416	68,416
<b>Total</b>	<b>\$ 307,700</b>	<b>\$ 34,591</b>	<b>\$ 342,291</b>

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

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note, Series 2008	4.91%	9/15/2008	9/15/2011	\$ 93,103	\$ 32,533
2. Revenue Shortfall Note, Series 2009	4.31%	8/21/2009	8/21/2012	184,786	125,939
3. Revenue Shortfall Note, Series 2010	4.50%	9/14/2010	9/14/2013	125,710	125,710
<b>Total</b>				<b>\$ 403,599</b>	<b>\$ 284,182</b>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 134,160	\$ 13,048	\$ 147,208
2013	106,261	6,815	113,076
2014	43,761	1,969	45,730
<b>Total</b>	<b>\$ 284,182</b>	<b>\$ 21,832</b>	<b>\$ 306,014</b>

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

**WEBSTER COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**E. Qualified school construction bonds payable**

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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

**F. Compensated absences payable**

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.

**Note 7 – Prior Year Defeasance of Debt**

In prior years, the Webster County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2011, \$1,925,000 of bonds outstanding are defeased.

**Note 8 – Impairment of Assets**

During the current fiscal year, the Webster County School District has recognized that the following assets qualified as impaired due to tornado damage.

Governmental Type Activities:

Classification (Instruction, Support Services, etc.)	Asset Qualifying As Impaired	Historical Cost	Less: Accumulated Depreciation	Carrying Value	Recognized Property Insurance Recovery	(Gain) Loss
Support services	East Webster Cafeteria Building	\$ 106,878	\$ 91,402	\$ 15,476	- \$	15,476
Instruction	East Webster Tech Prep Building	993,255	542,853	450,402	-	450,402
Instruction	East Webster Library Building	663,399	345,240	318,159	-	318,159
Total Governmental Activities		<u>\$ 1,763,532</u>	<u>\$ 979,495</u>	<u>\$ 784,037</u>	<u>- \$</u>	<u>784,037</u>

This impairment loss is reported on the financial statements as an extraordinary item.

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2011

#### Note 9 – Other Commitments

Commitments under construction contracts are described in Note 5.

##### Operating leases:

The school district has an operating lease with the Golden Triangle Planning and Development District, Inc. for the property located at Wood Circle, 403 Highway North, Webster County, Mississippi. The district is leasing the former property known as Wood College to house students from East Webster High School that were displaced in the April 27, 2011 tornado.

The initial lease term is effective from May 1, 2011 and ends on the 31<sup>st</sup> day of May 2012. There is an additional option to renew the lease on an annual basis for the subsequent 3 years following the initial lease term. The district is to pay the lessor \$35,000 per month that the district is occupying the leased property.

Lease expenditures for the year ended June 30, 2011, amounted to \$70,000. Future lease payments for the lease are as follows:

Year Ending June 30	Amount
2012	420,000
2013	385,000
Total	805,000

#### Note 10 – 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 9.00% 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, 2011 was 12.00% 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, 2011, 2010 and 2009 were \$955,385, \$986,171 and \$958,617, respectively, which equaled the required contributions for each year.

**WEBSTER COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**Note 11 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2012	\$ 76,192
2013	75,962
2014	75,672
2015	13,872
2016	13,872
2017 – 2021	31,462
2022 – 2026	475
2027 – 2031	175
2032 – 2036	175
Thereafter	280
<b>Total</b>	<b>\$ 288,137</b>

**Note 12 – Prior Period Adjustments**

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To record construction in progress on East Webster High School softball field not recorded in prior year	\$ 12,972
<b>Total</b>	<b>\$ 12,972</b>

**Note 13 – Contingencies**

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

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

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2011

#### Note 14 – Risk Management

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

#### Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts 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 the 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 up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

#### Note 15 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. There was \$1,479,234 of unspent bond proceeds at June 30, 2011. The district was not required to make a sinking fund deposit for the year ended June 30, 2011. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 16,000
2013	106,000
2014	106,000
2015	106,000
2016	106,000
2017 – 2021	530,000
2022 – 2026	530,000
Total	<u>\$ 1,500,000</u>

**WEBSTER COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**Note 16 - Insurance loss recoveries**

The Webster County School District received \$460,526 in insurance loss recoveries during the year. \$448,311 of these loss recoveries were related to tornado damage at East Webster High School during the 2010-2011 fiscal year and repairing property the district is leasing for instructional purposes for East Webster High School students until the high school is constructed. The other insurance proceeds of \$12,215 was received for damages incurred other than for the tornado damage incurred on April 27, 2011. In the government-wide Statement of Activities, insurance loss recoveries of \$341,735 were reported as charges for services and allocated among the expense functions based on the following percentages while the portion of insurance proceeds received for construction of the East Webster High School of \$118,791 was reported as an extraordinary item:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 55,185	16%	Instruction
286,550	84%	Support services
<u>\$ 341,735</u>	<u>100%</u>	

**Note 17 – Extraordinary Items**

The school district was significantly impacted by the tornado that severely damaged East Webster High School on April 27, 2011. One of the school buildings was completely totaled by the district's insurance carrier with the other three being significantly impaired. This resulted in the district incurring an extraordinary loss during the fiscal year. The extraordinary loss is calculated as follows:

	Amount
Cost basis of assets deleted	\$ (33,882)
Impairment loss on assets impaired	(784,037)
Insurance proceeds received	118,791
 Extraordinary loss	 <u><u>\$ (699,128)</u></u>

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 18 - Subsequent Events**

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Webster County School District evaluated the activity of the district through February 27, 2012, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On April 27, 2011, East Webster High School sustained significant damage due to the tornadoes that impacted the area. The district has received funding through FEMA and insurance proceeds to assist in paying for cleanup of the destruction and construction of a new high school. The district is renting the property formerly known as Wood College as a temporary facility until the new high school is constructed. As of the date of the audit report the district has received \$837,710 of funds from FEMA and insurance proceeds of \$8,327,465. Between fiscal year end June 30, 2011 and the date of the audit report the district has expended these funds in the following manner:

<u>Category</u>	<u>Amount</u>
Construction, Repairs and Demolition	\$ 3,615,322
Professional Services	405,136
Rental Expense	246,370
Textbooks and Library Books	152,297
Computers, Furniture and Equipment	140,823
Supplies	66,044
Salaries and Fringe Benefits	15,698
Advertising	208
Total Expenditures	<u>\$ 4,641,898</u>

A breakdown of vendors for which the district paid significant amounts for storm related expenditures is listed below:

<u>Vendor</u>	<u>Amount</u>
Weathers Construction	\$ 3,015,383
Balley Architecture	234,473
Doss Electric	152,170
H2O Associates	151,888
School Book Supply	147,622
Daktronics	52,363
Gore Excavation	46,550
Progressive Heating and Cooling	46,526
Turner Shaw Fence Sales	43,000
3 Point Technologies	24,465
Total	<u>\$ 3,914,440</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,708,534	\$ 2,825,182	\$ 2,822,183	\$ 116,648	\$ (2,999)
State sources	8,030,432	7,543,656	7,538,656	(486,776)	(5,000)
Federal sources	94,000	148,627	148,627	54,627	0
<b>Total Revenues</b>	<b>10,832,966</b>	<b>10,517,465</b>	<b>10,509,466</b>	<b>(315,501)</b>	<b>(7,999)</b>
<b>Expenditures:</b>					
Instruction	6,727,488	6,000,402	5,982,402	727,086	18,000
Support services	3,285,829	3,343,598	3,325,540	(57,769)	18,058
Noninstructional services		4,057	4,057	(4,057)	-
Facilities acquisition and construction		23,760	16,194	(23,760)	7,566
Debt service:					
Principal		1,420	1,420	(1,420)	-
Interest		780	780	(780)	-
<b>Total Expenditures</b>	<b>10,013,317</b>	<b>9,374,017</b>	<b>9,330,393</b>	<b>639,300</b>	<b>43,624</b>
Excess (Deficiency) of Revenues over (under) Expenditures	819,649	1,143,448	1,179,073	323,799	35,625
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	100,000	125,710	125,710	25,710	0
Insurance recovery		12,215	12,215	12,215	-
Operating transfers in	986,915	1,136,992	200,842	150,077	(936,150)
Operating transfers out	(1,807,471)	(1,803,336)	(867,187)	4,135	936,149
<b>Total Other Financing Sources (Uses)</b>	<b>(720,556)</b>	<b>(528,419)</b>	<b>(528,420)</b>	<b>192,137</b>	<b>(1.00)</b>
<b>Net Change in Fund Balances</b>	<b>99,093</b>	<b>615,029</b>	<b>650,653</b>	<b>515,936</b>	<b>35,624</b>
<b>Fund Balances:</b>					
July 1, 2010	909,458	1,355,162	1,355,162	445,704	-
June 30, 2011	\$ 1,008,551	\$ 1,970,191	\$ 2,005,815	\$ 961,640	\$ 35,624

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Title 1 Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 606,402	\$ 499,094	\$ 499,094	\$ (107,308)	\$ -
Total Revenues	606,402	499,094	499,094	(107,308)	-
<b>Expenditures:</b>					
Instruction	311,723	325,835	325,835	(14,112)	-
Support services	137,663	166,634	166,634	(28,971)	-
Noninstructional services		861	861	(861)	-
Total Expenditures	449,386	493,330	493,330	(43,944)	-
Excess (Deficiency) of Revenues over (under) Expenditures	157,016	5,764	5,764	(151,252)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(6,701)	(5,764)	(5,764)	937	-
Total Other Financing Sources (Uses)	(6,701)	(5,764)	(5,764)	937	-
Net Change in Fund Balances	150,315	-	-	(150,315)	-
<b>Fund Balances:</b>					
July 1, 2010,	-	-	-	-	-
June 30, 2011	\$ 150,315	\$ -	\$ -	\$ (150,315)	\$ -

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**16th Section Interest**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 186,500	\$ 498,857	\$ 498,857	\$ 312,357	\$ -
Total Revenues	186,500	498,857	498,857	312,357	-
<b>Expenditures:</b>					
Sixteenth section	2,000	1,263	1,263	737	-
Total Expenditures	2,000	1,263	1,263	737	-
Excess (Deficiency) of Revenues over (under) Expenditures	184,500	497,594	497,594	313,094	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(200,000)	-	-	200,000	-
Total Other Financing Sources (Uses)	(200,000)	-	-	200,000	-
Net Change in Fund Balances	(15,500)	497,594	497,594	513,094	-
<b>Fund Balances:</b>					
July 1, 2010	663,709	670,591	670,591	6,882	-
June 30, 2011	\$ 648,209	\$ 1,168,185	\$ 1,168,185	\$ 519,976	\$ -

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

WEBSTER COUNTY SCHOOL DISTRICT  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 EWS Disaster Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>					
Instruction		55,185	55,185	(55,185)	-
Support services		334,335	274,336	(334,335)	59,999
Facilities acquisition and construction		118,791	118,790	(118,791)	1
Total Expenditures	-	508,311	448,311	(508,311)	60,000
Excess (Deficiency) of Revenues over (under) Expenditures	-	(508,311)	(448,311)	(508,311)	60,000
<b>Other Financing Sources (Uses):</b>					
Insurance recovery		508,311	448,311	508,311	(60,000)
Total Other Financing Sources (Uses)	-	508,311	448,311	508,311	(60,000)
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010				-	-
June 30, 2011	\$ -	\$ -	\$ -	\$ -	\$ -

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

## WEBSTER COUNTY SCHOOL DISTRICT

### Notes to the Required Supplemental Information For the Year Ended June 30, 2011

#### 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.

**SUPPLEMENTAL INFORMATION**

**WEBSTER COUNTY SCHOOL DISTRICT**  
**Supplemental Information**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 137,719
National school lunch program	10.555	532,738
Total child nutrition cluster		<u>670,457</u>
Total passed-through Mississippi Department of Education		<u>670,457</u>
<b>Total U.S. Department of Agriculture</b>		<u>670,457</u>
<b><u>U.S. Department of Interior</u></b>		
Direct Program:		
Payments in lieu of taxes	15.226	35,892
<b>Total U.S. Department of Interior</b>		<u>35,892</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.001	109,611
<b>Total Federal Communications Commission</b>		<u>109,611</u>
<b><u>U.S. Department of Education</u></b>		
Direct programs:		
Readiness and emergency management for schools grants	84.184E	35,592
Total direct programs		<u>35,592</u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	25,760
Safe and drug-free schools and communities - state grants	84.186	2,948
Rural education	84.358	39,583
Improving Teacher Quality State Grants	84.367	138,139
ARRA - State fiscal stabilization fund - education state grants, Recovery Act	84.394	496,509
Education Jobs Fund	84.410	370,763
Subtotal		<u>1,073,702</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	511,278
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	130,046
Total Title I cluster		<u>641,324</u>
Special education cluster:		
Special education - grants to states	84.027	214,002
Special education - preschool grants	84.173	16,034
ARRA - Special education grants to states, Recovery Act	84.391	199,647
ARRA - Special education - preschool grants, Recovery Act	84.392	8,704
Total special education cluster		<u>438,387</u>
Education technology state grants cluster:		
Education technology state grants	84.318	3,809
ARRA - Education technology state grants, Recovery Act	84.386	9,450
Total Education technology state grants cluster		<u>13,259</u>
Total passed-through Mississippi Department of Education		<u>2,166,672</u>
<b>Total U.S. Department of Education</b>		<u>2,202,264</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	4,986
Total passed-through Mississippi Department of Education		<u>4,986</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>4,986</u>
Total for All Federal Awards		<u>\$ 3,023,210</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  
 Supplemental Information  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2011

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 10,821,404	8,283,325	558,343	814,717	1,165,019
Other	3,713,096	1,106,237	118,453	15,130	2,473,276
Total	\$ 14,534,500	9,389,562	676,796	829,847	3,638,295
Total number of students *	1,792				
Cost per student	\$ 8,111	5,240	378	463	2,030

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

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

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

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

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

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

**OTHER INFORMATION**

**WEBSTER COUNTY SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 2,822,183	\$ 2,854,372	\$ 2,495,121	\$ 2,314,534
State sources	7,538,656	7,612,019	8,392,897	8,604,877
Federal sources	148,627	106,915	105,807	98,782
<b>Total Revenues</b>	<b>10,509,466</b>	<b>10,373,306</b>	<b>10,993,625</b>	<b>11,018,193</b>
<b>Expenditures:</b>				
Instruction	5,982,402	6,525,179	7,118,026	6,930,799
Support services	3,325,540	3,474,281	3,584,731	3,551,122
Noninstructional services	4,057	6,391	7,831	7,366
Facilities acquisition and construction	16,194			
Debt service:				
Principal	1,420	2,840		
Interest	780	680		
<b>Total Expenditures</b>	<b>9,330,393</b>	<b>10,009,371</b>	<b>10,710,588</b>	<b>10,489,287</b>
Excess (Deficiency) of Revenues over (under) Expenditures	1,179,073	363,935	283,037	528,906
<b>Other Financing Sources (Uses):</b>				
Bonds and notes Issued	125,710	184,786	93,103	85,792
Capital leases Issued		4,260		
Insurance recovery	12,215			
Sale of transportation equipment		2,933	1,501	251
Operating transfers in	200,842	1,034,476	149,200	230,024
Operating transfers out	(867,187)	(870,771)	(841,475)	(759,582)
<b>Total Other Financing Sources (Uses)</b>	<b>(528,420)</b>	<b>355,684</b>	<b>(597,671)</b>	<b>(443,515)</b>
<b>Net Change in Fund Balances</b>	<b>650,653</b>	<b>719,619</b>	<b>(314,634)</b>	<b>85,391</b>
<b>Fund Balances:</b>				
Beginning of period	1,355,162	635,543	950,177	864,786
End of Period	\$ 2,005,815	\$ 1,355,162	\$ 635,543	\$ 950,177

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 3,103,398	\$ 2,948,982	\$ 2,879,214	\$ 2,660,506
Intermediate sources			3,966	53,136
State sources	8,257,967	8,296,491	9,192,709	9,481,156
Federal sources	3,033,224	2,765,349	2,204,440	2,020,257
Sixteenth section sources	541,428	393,437	172,526	1,046,574
<b>Total Revenues</b>	<b>14,936,017</b>	<b>14,404,259</b>	<b>14,452,855</b>	<b>15,261,629</b>
<b>Expenditures:</b>				
Instruction	8,505,219	8,801,371	8,990,934	8,611,616
Support services	4,490,649	4,300,300	4,645,857	4,604,347
Noninstructional services	830,927	876,808	894,129	914,408
Sixteenth section	28,993	33,798	55,317	24,323
Facilities acquisition and construction	168,675		308,517	143,104
Debt service:				
Principal	404,935	221,532	288,737	260,772
Interest	104,067	107,217	164,503	140,840
Other	1,035	1,000	1,275	20,009
<b>Total Expenditures</b>	<b>14,534,500</b>	<b>14,342,026</b>	<b>15,349,269</b>	<b>14,719,419</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>401,517</b>	<b>62,233</b>	<b>(896,414)</b>	<b>542,210</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	1,625,710	184,786	93,103	85,792
Capital leases issued		4,260		
Insurance recovery	460,526			
Refunding bonds issued				2,360,000
Payment to refunded bond escrow agent				(2,342,000)
Sale of transportation equipment		2,933	1,501	251
Operating transfers in	1,068,029	1,905,247	1,443,174	1,239,606
Operating transfers out	(1,068,029)	(1,905,247)	(1,443,174)	(1,239,606)
<b>Total Other Financing Sources (Uses)</b>	<b>2,086,236</b>	<b>191,979</b>	<b>94,604</b>	<b>104,043</b>
<b>Net Change in Fund Balances</b>	<b>2,487,753</b>	<b>254,212</b>	<b>(801,810)</b>	<b>646,253</b>
<b>Fund Balances:</b>				
Beginning of period	3,048,964	2,800,460	3,606,821	2,962,173
<b>Increase (Decrease) in reserve for inventory</b>	<b>7,313</b>	<b>(5,708)</b>	<b>(4,551)</b>	<b>(1,605)</b>
<b>End of Period</b>	<b>\$ 5,544,030</b>	<b>\$ 3,048,964</b>	<b>\$ 2,800,460</b>	<b>\$ 3,606,821</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



**Watkins, Ward and Stafford**  
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Superintendent and School Board  
Webster County School District

We have audited the financial statements of Webster County School District as of and for the year ended June 30, 2011, and have issued our report thereon dated February 27, 2012. 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**

Management of Webster County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Webster County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Webster County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Webster County School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County 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*.

We did note a certain matter that we reported to management of Webster County School District in the Independent Auditor's Report on Compliance with State Laws and Regulations dated February 27, 2012.

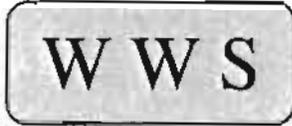
Webster County School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Webster County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the school's board, 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.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi

February 27, 2012

*Watkins, Ward and Stafford, PLLC*



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**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct  
And Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

**Independent Auditor's Report**

Superintendent and School Board  
Webster County School District

**Compliance**

We have audited Webster County School District's compliance with the types of compliance requirements described in the OMB Circular A-133, Compliance Supplement, that could have a direct and material effect on each of Webster County School District's major federal programs for the year ended June 30, 2011. Webster County 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 Webster County School District's management. Our responsibility is to express an opinion on Webster County 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 Webster County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Webster County School District's compliance with those requirements.

In our opinion, Webster County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Webster County School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Webster County School District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the school board, entities with accreditation overview, 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.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi

February 27, 2012

*Watkins, Ward and Stafford, PLLC*

**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, 2011, which collectively comprise Webster County School District's basic financial statements and have issued our report thereon dated February 27, 2012. 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 \$11,050 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 instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

**Board Members, Principals and Purchasing Agents Should Be Bonded for the Statutorily Required Amount with the Bond Recorded in the Chancery Clerk's Office**

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 \$50,000 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 one board member, all of the principals and six purchasing agents.

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's Response

The district has notified the insurance agent to ensure all of the proper bonds are obtained and invoice to the district.

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

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi

February 27, 2012

*Watkins, Ward and Stafford, PLLC*

**WEBSTER COUNTY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**WEBSTER COUNTY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |  |             |
|--|-------------|
| 4. Internal control over major programs:   |             |
| a. Material weakness(es) identified? (Yes/No)  | No          |
| b. Significant deficiency(ies) identified? (Yes/None reported)   | Yes         |
| 5. Type of auditor's report issued on compliance for major programs:   | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes         |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.389	Title 1 Cluster
84.027/84.173/84.391/84.392	Special Education Cluster
84.394	ARRA- State fiscal stabilization fund – education state grants, Recovery Act
84.410	Education Jobs Fund

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? (yes/no)                          | No        |

WEBSTER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

**Significant Deficiency Not Considered to be a Material Weakness**

Controls Over Depositing Activity Fund Receipts Should Be Strengthened

2011-01 Finding

Management is responsible for ensuring that all revenue earned is correctly recorded and deposited in order to safeguard the assets of the district.

Per our testing of activity fund receipts from athletic events we noted the following deficiencies:

- We noted seven instances at East Webster High School where the applicable gate-workers did not sign the school event receipt form. The form was signed by the principal and the secretary at the school however the cashiers working the applicable gate did not sign the form to independently verify the cash received from the event. Per review of various school event receipt forms it appears this is the standard practice at this school.
- Several instances (5) were noted where there was a significant delay between the date of the receipt and the deposit into the bank at Eupora High School.

This weakness occurred due to inadequate internal controls surrounding the collection and deposit of receipts.

Inadequate internal controls surrounding revenue collection could result in the loss of assets and improper revenue recognition.

Recommendation

We recommend that the district implement policies and procedures to ensure that assets are adequately safeguarded and revenue is properly receipted, recognized, and recorded. All athletic events should be supported by a school event receipt form that contains beginning and ending ticket numbers. Gate workers should reconcile the cash to the tickets received and should sign the form once this is done. The principal should review the form and sign the form after the gate workers perform their responsibilities and before the amount is submitted to the central office. Any funds receipted by the individual schools should be deposited on the next business day.

WEBSTER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section III: Federal Award Findings and Questioned Costs

**Significant Deficiency Not Considered to be a Material Weakness**

Time Keeping Records for Staff Pro-rated Between a Federal Program and Non-Federal Program Should Be Maintained and Semi-Annual Certifications Should Be Completed for Staff Paid Completely with Federal Funds

2011-02 Finding

Program: Title 1 Cluster of Awards (84.010 and 84.389) and Special Education Cluster of Awards (84.027, 84.173, 84.391 and 84.392)

Compliance Requirement: Allowable Costs

During our testing of payroll expenditures in the Title 1 and Special Education programs we noted that time-keeping records for personnel paid partially out of a federal program that pro-rated their responsibilities between federal and non-federal activities are not maintained on a consistent basis. We also noted that semi-annual certifications for personnel paid 100% out of the Title 1 and Special Education programs were not completed for the 6/30/2011 school year.

Recommendation

We recommend that time keeping records that report time worked on federal and non-federal activities be maintained for all staff whose wages are pro-rated between a federal and non-federal program. We also recommend that semi-annual certifications are completed for all staff paid 100% out of a federal program.

**AUDITEE'S CORRECTIVE ACTION PLAN**

# WEBSTER COUNTY SCHOOLS

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## FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by the OMB Circular A-133 the Webster County School District has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended June 30, 2011.

### CORRECTIVE ACTION PLAN DETAILS

- Finding 2011-1
- A. Superintendent- Jack Treloar  
Business Adm. – Heidi Young  
Principals – Bill Brand, Lundy Brantley
  
  - B. The District will implement procedures to properly account for receipts at athletic events and to ensure that the gate workers reconcile the cash to tickets and sign the required forms. We will also notify all schools the requirement to make their deposits by the next business day.

### CORRECTIVE ACTION PLAN DETAILS

- Finding 2011-2
- A. Superintendent- Jack Treloar  
Business Adm. – Heidi Young  
Federal Programs Adm.- James Mason
  
  - B. The proper time keeping records are now being maintained by the District for reporting time worked on federal and non-federal activities and the semi-annual certifications are now being completed for all staff paid 100% out of a federal program.