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Webster County School District

Audited Financial Statements
For the Year Ended June 30, 2014

Fortenberry & Ballard, PC
Certified Public Accountants

**Webster County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Webster County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Webster County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Webster County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 16 and 49 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Webster County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of the Webster County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Webster County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 20, 2015

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 increased \$2,554,406, including a prior period adjustment of \$(27,244), which represents a 16% increase from fiscal year 2013. Total net position for 2013 increased \$748,808, including a prior period adjustment of \$37,378, which represents a 5% increase from fiscal year 2012.
- General revenues amounted to \$11,158,286 and \$11,716,873, or 70% and 75% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,708,791 or 30% of total revenues for 2014, and \$3,917,168, or 25% of total revenues for 2013.
- The District had \$16,099,826 and \$15,866,223 in expenses for fiscal years 2014 and 2013; only \$4,708,791 for 2014 and \$3,917,168 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,158,286 for 2014 and \$11,716,873 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,851,023 in revenues and \$11,182,345 in expenditures for 2014, and \$10,317,565 in revenues and \$11,071,549 in expenditures in 2013. The General Fund's fund balance increased by \$233,448 from 2013 to 2014, and decreased by \$933,754 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$3,182,873 for 2014 and increased by \$5,868,515 for 2013. The increase for 2014 was due to the addition of completed construction on the East Webster High School buildings coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$1,047,409 for 2014 and decreased by \$373,424 for 2013. This increase for 2014 was due primarily to the issuance of three mill and shortfall notes payable. The liability for compensated absences increased by \$10,610 for 2014 and increased by \$1,898 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 Supplementary Information

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

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Governmental Accounting Standards Board.

Supplementary 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 position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$18,987,737 as of June 30, 2014.

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.

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013:

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 6,606,391	\$ 5,238,121	26.12 %
Restricted assets	390,702	941,361	-58.50 %
Capital assets, net	18,034,318	14,851,445	21.43 %
Total assets	<u>25,031,411</u>	<u>21,030,927</u>	19.02 %
Current liabilities	1,532,408	1,144,349	33.91 %
Long-term debt outstanding	4,511,266	3,453,247	30.64 %
Total liabilities	<u>6,043,674</u>	<u>4,597,596</u>	31.45 %
Net position:			
Net investment in capital assets	13,841,318	11,569,245	19.64 %
Restricted	4,431,991	4,175,951	6.13 %
Unrestricted	714,428	688,135	3.82 %
Total net position	<u>\$ 18,987,737</u>	<u>\$ 16,433,331</u>	15.54 %

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

- Increase in net capital assets in the amount of \$3,182,873.
- The issuance of long term debt in the amount of \$1,529,609 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$15,867,077 and \$15,634,041, respectively. The total cost of all programs and services was \$16,099,826 for 2014 and \$15,866,223 for 2013.

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 841,965	\$ 886,773	(5.05) %
Operating grants and contributions	3,866,826	3,030,395	27.60 %
General revenues:			
Property taxes	2,257,524	2,219,046	1.73 %
Grants and contributions not restricted	8,648,773	9,078,891	(4.74) %
Investment earnings	6,250	15,341	(59.26) %
Sixteenth section sources	157,876	277,502	(43.11) %
Other	87,863	126,093	(30.32) %
Total revenues	<u>15,867,077</u>	<u>15,634,041</u>	1.49 %
Expenses:			
Instruction	9,587,674	9,276,083	3.36 %
Support services	5,356,712	5,474,386	(2.15) %
Non-instructional	966,215	942,752	2.49 %
Sixteenth section	26,344	32,289	(18.41) %
Interest on long-term liabilities	162,881	140,713	15.75 %
Total expenses	<u>16,099,826</u>	<u>15,866,223</u>	1.47 %
Extraordinary Items	<u>2,814,399</u>	<u>943,612</u>	198.26 %
Increase (Decrease) in net position	<u>2,581,650</u>	<u>711,430</u>	262.88 %
Net Position, July 1, as previously reported	<u>16,433,331</u>	<u>15,684,523</u>	4.77 %
Prior Period Adjustment	<u>(27,244)</u>	<u>37,378</u>	(172.89) %
Net Position, July 1, as restated	<u>16,406,087</u>	<u>15,721,901</u>	4.35 %
Net Position, June 30	<u>\$ 18,987,737</u>	<u>\$ 16,433,331</u>	15.54 %

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 liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 9,587,674	\$ 9,276,083	3.36 %
Support services	5,356,712	5,474,386	(2.15) %
Non-instructional	966,215	942,752	2.49 %
Sixteenth section	26,344	32,289	(18.41) %
Interest on long-term liabilities	162,881	140,713	15.75 %
Total expenses	<u>\$ 16,099,826</u>	<u>\$ 15,866,223</u>	1.47 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (7,770,187)	\$ (7,480,688)	3.87 %
Support services	(3,568,115)	(4,425,067)	(19.37) %
Non-instructional	45,982	19,915	130.89 %
Sixteenth section	(16,431)	(9,352)	75.70 %
Interest on long-term liabilities	(82,284)	(53,863)	52.77 %
Total net (expense) revenue	<u>\$ (11,391,035)</u>	<u>\$ (11,949,055)</u>	(4.67) %

- Net cost of governmental activities (\$11,391,035 for 2014 and \$11,949,055 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$2,257,524 for 2014 and \$2,219,046 for 2013) and state and federal revenues (\$8,648,773 for 2014 and \$9,078,891 for 2013). In addition, there was \$157,876 and \$277,502 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$6,250 for 2014 and \$15,341 for 2013.

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 \$5,434,594, an increase of \$535,499, which includes a decrease in inventory of \$6,239. \$725,530 or 13% 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 or assigned to specific purposes within the general fund. The remaining fund

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

balance of \$4,709,064 or 87% 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 \$233,448. The fund balance of Other Governmental Funds showed a decrease in the amount of \$515,526, which includes a decrease in inventory of \$6,239. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
16th Section Interest Fund	\$	(400,190)
EWHS Disaster Fund	\$	546,532
EHS Fire Fund		671,235

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 a major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$24,814,763, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$3,816,285 from 2013. Total accumulated depreciation as of June 30, 2014, was \$6,780,445, and total depreciation expense for the year was \$650,775, resulting in total net capital assets of \$18,034,318.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 214,048	\$ 214,048	0.00 %
Construction in Progress	66,697	6,782,228	(99.02) %
Buildings	15,481,639	5,558,059	178.54 %
Building improvements	654,640	685,092	(4.44) %
Improvements other than buildings	993,345	818,661	21.34 %
Mobile equipment	483,827	571,625	(15.36) %
Furniture and equipment	140,122	221,732	(36.81) %
Total	\$ 18,034,318	\$ 14,851,445	21.43 %

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

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Debt Administration. At June 30, 2014, the District had \$4,511,266 in outstanding long-term debt, of which \$398,461 is due within one year. The liability for compensated absences increased \$10,610 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,343,000	\$ 1,591,000	(15.59) %
Three mill notes payable	1,350,000	191,200	606.07 %
Shortfall notes payable	179,609	43,000	317.70 %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	138,657	128,047	8.29 %
Total	<u>\$ 4,511,266</u>	<u>\$ 3,453,247</u>	30.64 %

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 the 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 2013-2014 year remained stable during the year. Enrollment for the 2012-2013 school year was 1,837 students. During the current year enrollment increased by 57 to 1,894 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,782,126
Due from other governments	2,783,102
Other receivables, net	192
Inventories	40,971
Restricted assets	390,702
Capital assets, non-depreciable:	
Land	214,048
Construction in progress	66,697
Capital assets, net of accumulated depreciation:	
Buildings	15,481,639
Building improvements	654,640
Improvements other than buildings	993,345
Mobile equipment	483,827
Furniture and equipment	140,122
Total Assets	<u>25,031,411</u>
Liabilities	
Accounts payable and accrued liabilities	1,442,826
Interest payable on long-term liabilities	89,582
Long-term liabilities, due within one year:	
Capital related liabilities	340,000
Non-capital related liabilities	58,461
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,853,000
Non-capital related liabilities	259,805
Total Liabilities	<u>6,043,674</u>
Net Position	
Net investment in capital assets	13,841,318
Restricted for:	
Expendable:	
School-based activities	1,320,757
Debt service	595,805
Capital improvements	2,324,871
Forestry improvements	138,455
Unemployment benefits	40,723
Non-expendable:	
Sixteenth section	11,380
Unrestricted	714,428
Total Net Position	<u>\$ 18,987,737</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, 2014**

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 9,587,674	\$ 548,959	\$ 1,268,528	\$ (7,770,187)
Support services	5,356,712		1,788,597	(3,568,115)
Non-instructional	966,215	283,093	729,104	45,982
Sixteenth section	26,344	9,913		(16,431)
Interest on long-term liabilities	162,881		80,597	(82,284)
Total Governmental Activities	\$ 16,099,826	\$ 841,965	\$ 3,866,826	\$ (11,391,035)
General Revenues:				
Taxes:				
				2,257,524
Unrestricted grants and contributions:				
				8,488,023
				160,750
				6,250
				157,876
				87,863
				<u>11,158,286</u>
				2,814,399
				<u>13,972,685</u>
				<u>2,581,650</u>
				16,433,331
				<u>(27,244)</u>
				<u>16,406,087</u>
				<u>\$ 18,987,737</u>

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

WEBSTER COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

Exhibit C

	Major Funds						Total Governmental Funds
	General	16th Section	EWHS	EHS	Other		
	Fund	Interest Fund	Disaster Fund	Fire Fund	Governmental Funds	Governmental Funds	
Assets							
Cash and cash equivalents	\$ 1,367,285	\$ 206,904	\$ 694,462	\$ 919,763	\$ 605,091	\$ 3,793,505	
Cash with fiscal agents	-	-	-	-	148,464	148,464	
Investments	-	-	-	-	230,243	230,243	
Due from other governments	158,455	13,408	2,178,228	-	313,338	2,663,429	
Accrued interest receivable	-	-	-	-	616	616	
Other receivables, net	192	-	-	-	-	192	
Due from other funds	155,177	1,000,000	-	-	1,715	1,156,892	
Inventories	-	-	-	-	40,971	40,971	
Total Assets	\$ 1,681,109	\$ 1,220,312	\$ 2,872,690	\$ 919,763	\$ 1,340,438	\$ 8,034,312	
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 211,984	\$ 45,376	\$ 219,054	\$ 248,528	\$ 54,216	\$ 779,158	
Due to other funds	556,104	-	1,000,000	-	264,456	1,820,560	
Total Liabilities	768,088	45,376	1,219,054	248,528	318,672	2,599,718	
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	40,971	40,971	
Permanent fund principal	-	-	-	-	11,380	11,380	
Restricted:							
Debt service	-	-	-	-	685,387	685,387	
Capital projects	-	-	1,653,636	671,235	-	2,324,871	
Forestry improvement purposes	-	-	-	-	138,455	138,455	
Grant activities	-	-	-	-	104,850	104,850	
Unemployment benefits	-	-	-	-	40,723	40,723	
16th section interest	-	1,174,936	-	-	-	1,174,936	
Assigned:							
Activity funds	187,491	-	-	-	-	187,491	
Unassigned	725,530	-	-	-	-	725,530	
Total Fund Balances	913,021	1,174,936	1,653,636	671,235	1,021,766	5,434,594	
Total Liabilities and Fund Balances	\$ 1,681,109	\$ 1,220,312	\$ 2,872,690	\$ 919,763	\$ 1,340,438	\$ 8,034,312	

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

**WEBSTER COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Exhibit C-1

Total fund balances for governmental funds \$ 5,434,594

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

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

Land	\$ 214,048	
Construction in progress	66,697	
Buildings	19,848,692	
Building improvements	761,304	
Improvements other than buildings	1,192,329	
Mobile equipment	2,006,421	
Furniture and equipment	725,272	
Accumulated depreciation	<u>(6,780,445)</u>	18,034,318

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

119,673

3. 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	\$ (1,343,000)	
Three mill notes payable	(1,350,000)	
Shortfall notes payable	(179,609)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(138,657)	
Accrued interest payable	<u>(89,582)</u>	(4,600,848)

Net position of governmental activities \$ 18,987,737

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

WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit D

	Major Funds					
	General Fund	16th Section Interest Fund	EWHS Disaster Fund	EHS Fire Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 2,954,607	\$ -	\$ -	\$ -	\$ 287,658	\$ 3,242,265
State sources	7,738,086	-	-	-	1,305,183	9,043,269
Federal sources	158,330	-	1,132,818	-	2,181,182	3,472,330
Sixteenth section sources	-	158,807	-	-	10,342	169,149
Total Revenues	10,851,023	158,807	1,132,818	-	3,784,365	15,927,013
Expenditures:						
Instruction	7,491,800	-	-	21,541	1,641,851	9,155,192
Support services	3,622,703	-	358,901	304,998	922,750	5,209,352
Noninstructional services	6,453	-	-	-	904,129	910,582
Sixteenth section	-	13,722	-	-	12,622	26,344
Facilities acquisition and construction	61,389	-	3,261,939	2,226	502,838	3,828,392
Debt service:						
Principal	-	-	-	-	482,200	482,200
Interest	-	-	-	-	116,370	116,370
Other	-	-	-	-	500	500
Total Expenditures	11,182,345	13,722	3,620,840	328,765	4,583,260	19,728,932
Excess (Deficiency) of Revenues over (under) Expenditures	(331,322)	145,085	(2,488,022)	(328,765)	(798,895)	(3,801,919)
Other Financing Sources (Uses):						
Bonds and notes issued	179,609	-	1,350,000	-	-	1,529,609
Payment to refunded bond escrow agent	-	-	-	-	(106,000)	(106,000)
Operating transfers in	1,000,746	116,000	-	-	499,585	1,616,331
Other financing sources	-	-	-	-	106,000	106,000
Operating transfers out	(615,585)	(661,275)	(129,845)	-	(209,626)	(1,616,331)
Other financing uses	-	-	-	-	(351)	(351)
Total Other Financing Sources (Uses)	564,770	(545,275)	1,220,155	-	289,608	1,529,258
Extraordinary items	-	-	1,814,399	1,000,000	-	2,814,399
Net Change in Fund Balances	233,448	(400,190)	546,532	671,235	(509,287)	541,738
Fund Balances:						
July 1, 2013	679,573	1,575,126	1,107,104	-	1,537,292	4,899,095
Increase (Decrease) in inventory	-	-	-	-	(6,239)	(6,239)
June 30, 2014	\$ 913,021	\$ 1,174,936	\$ 1,653,636	\$ 671,235	1,021,766	\$ 5,434,594

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

**WEBSTER COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 541,738

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	\$ 3,861,067	
Depreciation expense	<u>(650,775)</u>	3,210,292

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (175)

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

Bonds and notes issued	(1,529,609)	
Payments of debt principal	482,200	
Bond issuance costs expensed	(16,801)	
Accrued interest payable	<u>(29,210)</u>	(1,093,420)

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 due from other governments	(59,936)	
Change in compensated absences	(10,610)	
Change in inventory	<u>(6,239)</u>	(76,785)

Change in net position of governmental activities \$ 2,581,650

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

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 571	\$ 119,508
Due from other funds	-	663,668
Due from other governments	-	64
Total Assets	<u>571</u>	<u>\$ 783,240</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 674,878
Due to student clubs		108,362
Total Liabilities		<u>\$ 783,240</u>
Net Position		
Reserved for endowments	<u>571</u>	
Total Net Position	<u>\$ 571</u>	

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

WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit F

	Private-Purpose Trust Funds
	<u> </u>
Additions	
Contributions and donations from private sources	\$ 500
Total Additions	<u> 500</u>
 Deductions	
Scholarships awarded	<u> 500</u>
Total Deductions	<u> 500</u>
 Change in Net Position	 <u> -</u>
 Net Position	
July 1, 2013	<u> 571</u>
June 30, 2014	<u><u> 571</u></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, 2014

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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.

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

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

EHS Fire Fund – This is the school district's fund that accounts for the insurance proceeds received for the fire damage at Eupora High School.

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

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

The District's fiduciary funds include the following:

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

6. Capital Assets

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

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

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

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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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 and Bond Discounts/Premiums

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

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

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:

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.

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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

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

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

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

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

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 3,793,505 and \$120,079, 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, 2014, none of the district's bank balance of \$4,183,642 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 \$148,464.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2014**

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	10-15	\$ 230,243
Total			\$ 230,243

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 155,177
16th Section Interest Fund	EWHS Disaster Fund	1,000,000
Other Governmental Funds	General Fund	1,715
Fiduciary Funds	General Fund	554,389
	Other Governmental Funds	109,279
Total		\$ 1,820,560

All interfund loans from the General Fund were made to offset deficit cash balances. The loans from the 16th Section Interest Fund to the EWHS Disaster Fund was to cover construction costs of the new high school until all of the insurance proceeds were received. All other loans were for expenditures made by receiving funds that were due to the general fund or fiduciary fund.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2014**

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	16th Section Interest Fund	\$ 116,000
	Other Governmental Funds	499,585
16th Section Interest Fund	General Fund	661,275
EWHS Disaster Fund	General Fund	129,845
Other Governmental Funds	General Fund	209,626
Total		<u>\$ 1,616,331</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance \$10,314 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 in the Wofford Trust Fund totaling \$1,065. In addition, the restricted assets represent the cash with fiscal agents balance totaling \$148,464 of the MAEP Limited Obligation Bond Fund. Finally, the restricted assets represent the investment and accrued interest balance, totaling \$230,243 and \$616, respectively, of the QSCB Bond Retirement Fund.

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2014**

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2014
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 214,048					\$ 214,048
Construction-in-progress	6,782,228	3,785,672		(10,473,959)	(27,244)	66,697
Total non-depreciable capital assets	6,996,276	3,785,672	-	(10,473,959)	(27,244)	280,745
<u>Depreciable capital assets:</u>						
Buildings	9,552,051			10,296,641		19,848,692
Building improvements	761,304					761,304
Improvements other than buildings	972,291	42,720		177,318		1,192,329
Mobile equipment	2,006,421					2,006,421
Furniture and equipment	710,135	32,675	17,538			725,272
Total depreciable capital assets	14,002,202	75,395	17,538	10,473,959	-	24,534,018
<u>Less accumulated depreciation for:</u>						
Buildings	3,993,992	373,061				4,367,053
Building improvements	76,212	30,452				106,664
Improvements other than buildings	153,630	45,354				198,984
Mobile equipment	1,434,796	87,798				1,522,594
Furniture and equipment	488,403	114,110	17,363			585,150
Total accumulated depreciation	6,147,033	650,775	17,363	-	-	6,780,445
Total depreciable capital assets, net	7,855,169	(575,380)	175	10,473,959	-	17,753,573
Governmental activities capital assets, net	\$ 14,851,445	\$ 3,210,292	\$ 175	\$ -	\$ (27,244)	\$ 18,034,318

Adjustments represent transfers of completed construction from construction in progress to other depreciable categories and the removal of a project from construction in progress that did not exceed the threshold for capital asset reporting.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 451,261
Support services	151,188
Non-instructional	48,326
Total depreciation expense - Governmental activities	<u>\$ 650,775</u>

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2014**

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
EWHS PE Building	\$ 64,471	\$ 200,000
EHS Fire Renovation	2,226	997,784
Total governmental activities	<u>66,697</u>	<u>1,197,784</u>
Total construction in progress	<u>\$ 66,697</u>	<u>\$ 1,197,784</u>

Construction projects included in governmental activities are funded with insurance proceeds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,591,000	\$	\$ 248,000	\$ 1,343,000	\$ 280,000
B. Three mill notes payable	191,200	1,350,000	191,200	1,350,000	60,000
C. Shortfall notes payable	43,000	179,609	43,000	179,609	58,461
D. Qualified school construction bonds payable	1,500,000			1,500,000	
E. Compensated absences payable	128,047	18,231	7,621	138,657	
Total	<u>\$ 3,453,247</u>	<u>\$ 1,547,840</u>	<u>\$ 489,821</u>	<u>\$ 4,511,266</u>	<u>\$ 398,461</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvements Bonds, Series 2012	1.39%	11/16/2012	2/1/2018	\$ 1,591,000	\$ 1,343,000

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

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2014**

1. Limited obligation bond issue of 11/16/2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 280,000	\$ 16,722	\$ 296,722
2016	285,000	12,795	297,795
2017	290,000	8,798	298,798
2018	488,000	4,740	492,740
Total	\$ 1,343,000	\$ 43,055	\$ 1,386,055

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
Limited Tax Note, Series 2013	3.50%	8/15/2013	8/15/2028	\$ 1,350,000	\$ 1,350,000

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

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2014**

1. Three mill notes payable issue of 8/15/2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 60,000	\$ 45,413	\$ 105,413
2016	60,000	45,150	105,150
2017	60,000	43,050	103,050
2018	65,000	40,950	105,950
2019	65,000	38,675	103,675
2020 – 2024	375,000	156,800	531,800
2025 – 2029	665,000	82,250	747,250
Total	\$ 1,350,000	\$ 452,288	\$ 1,802,288

This debt will be retired from the 4091 Series Debt Service Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Shortfall Note, Series 2013	2.39%	10/6/2013	9/6/2016	\$ 179,609	\$ 179,609

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

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 58,461	\$ 4,293	\$ 62,754
2016	59,859	2,895	62,754
2017	61,289	1,465	62,754
Total	\$ 179,609	\$ 8,653	\$ 188,262

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

D. Qualified school construction bonds payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2014**

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>

E. Compensated absences payable

As more fully explained in Note 1(E)(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, 2014, \$0 of bonds outstanding are defeased.

Note 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 – 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 as of June 30, 2014 was 15.75% 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, 2014, 2013 and 2012 were \$1,315,275, \$1,194,103 and \$1,016,594, respectively, which

WEBSTER COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2014**

equaled the required contributions for each year.

Note 10 – Sixteenth Section Lands

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

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 21,051
2016	21,051
2017	13,073
2018	10,546
2019	7,559
2020 – 2024	7,221
2025 – 2029	175
2030 – 2034	175
2035 – 2039	175
Total	<u>\$ 81,026</u>

Note 11 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To reclassify cost of construction project reported in prior year construction in progress that did not meet the threshold for reporting as a capital asset	\$ (27,244)
Total	<u>\$ (27,244)</u>

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

Note 12 – Contingencies

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

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

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 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 MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers’ Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 14 – 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

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

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. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2014 was \$230,243. 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
2015	\$ 106,000
2016	106,000
2017	106,000
2018	106,000
2019	106,000
2020 – 2024	530,000
2025 – 2029	212,000
Total	<u>\$ 1,272,000</u>

During the fiscal year ended June 30, 2014, the district paid \$86,850 of interest on the qualified school construction bonds.

Note 15 – 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. During the fiscal year ended June 30, 2011 the district reported a \$699,128 impairment loss that was reported as an extraordinary item. During the fiscal year ended June 30, 2012 the district reported a \$8,515,591 gain as an extraordinary item for insurance proceeds received in relation to the

WEBSTER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

tornado damage. During the fiscal year ended June 30, 2013 the district received an additional \$943,612 of insurance proceeds for the loss of property attributable to the April 27, 2011 tornado. During the current year the district received an additional \$1,814,399 of insurance proceeds for the loss of property attributable to the April 27, 2011 tornado.

On March 22, 2014 there was a fire at the Eupora High School which caused expensive damage. The building where the fire was located was not destroyed and is still being used by the district. During the current year the district has received \$1,000,000 in insurance proceeds to repair the damage to the Eupora High School building.

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Webster County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEBSTER COUNTY SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,873,712	2,954,606	2,954,607	80,894	1
State sources	7,989,269	7,738,086	7,738,086	(251,183)	-
Federal sources	133,000	158,330	158,330	25,330	-
Total Revenues	<u>10,995,981</u>	<u>10,851,022</u>	<u>10,851,023</u>	<u>(144,959)</u>	<u>1</u>
Expenditures:					
Instruction	7,451,709	7,520,800	7,491,800	(69,091)	29,000
Support services	3,588,089	3,682,702	3,622,703	(94,613)	59,999
Noninstructional services	-	6,453	6,453	(6,453)	-
Facilities acquisition and construction	-	61,389	61,389	(61,389)	-
Total Expenditures	<u>11,039,798</u>	<u>11,271,344</u>	<u>11,182,345</u>	<u>(231,546)</u>	<u>88,999</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(43,817)</u>	<u>(420,322)</u>	<u>(331,322)</u>	<u>(376,505)</u>	<u>89,000</u>
Other Financing Sources (Uses):					
Bonds and notes issued	-	179,609	179,609	179,609	-
Transfers in	1,481,961	1,572,584	1,000,746	90,623	(571,838)
Transfers out	<u>(1,453,986)</u>	<u>(1,187,423)</u>	<u>(615,585)</u>	<u>266,563</u>	<u>571,838</u>
Total Other Financing Sources (Uses)	<u>27,975</u>	<u>564,770</u>	<u>564,770</u>	<u>536,795</u>	<u>-</u>
Net Change in Fund Balances	<u>(15,842)</u>	<u>144,448</u>	<u>233,448</u>	<u>160,290</u>	<u>89,000</u>
Fund Balances:					
July 1, 2013,	<u>1,023,301</u>	<u>679,573</u>	<u>679,573</u>	<u>(343,728)</u>	<u>-</u>
June 30, 2014	<u>\$ 1,007,459</u>	<u>824,021</u>	<u>913,021</u>	<u>(183,438)</u>	<u>89,000</u>

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

WEBSTER COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 98,200	158,807	158,807	60,607	-
Total Revenues	<u>98,200</u>	<u>158,807</u>	<u>158,807</u>	<u>60,607</u>	<u>-</u>
Expenditures:					
Sixteenth section	6,500	13,722	13,722	(7,222)	-
Total Expenditures	<u>6,500</u>	<u>13,722</u>	<u>13,722</u>	<u>(7,222)</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>91,700</u>	<u>145,085</u>	<u>145,085</u>	<u>53,385</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	-	116,000	116,000	116,000	-
Operating transfers out	(606,000)	(661,275)	(661,275)	(55,275)	-
Total Other Financing Sources (Uses)	<u>(606,000)</u>	<u>(545,275)</u>	<u>(545,275)</u>	<u>60,725</u>	<u>-</u>
Net Change in Fund Balances	<u>(514,300)</u>	<u>(400,190)</u>	<u>(400,190)</u>	<u>114,110</u>	<u>-</u>
Fund Balances:					
July 1, 2013	<u>1,500,000</u>	<u>1,575,126</u>	<u>1,575,126</u>	<u>75,126</u>	<u>-</u>
June 30, 2014	<u>\$ 985,700</u>	<u>1,174,936</u>	<u>1,174,936</u>	<u>189,236</u>	<u>-</u>

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

WEBSTER COUNTY SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule
 EWHS Disaster Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	1,491,000	1,132,818	1,132,818	(358,182)	-
Total Revenues	1,491,000	1,132,818	1,132,818	(358,182)	-
Expenditures:					
Support services	-	401,621	358,901	(401,621)	42,720
Facilities acquisition and construction	2,960,000	3,419,219	3,261,939	(459,219)	157,280
Total Expenditures	2,960,000	3,820,840	3,620,840	(860,840)	200,000
Excess (Deficiency) of Revenues over (under) Expenditures	(1,469,000)	(2,688,022)	(2,488,022)	(1,219,022)	200,000
Other Financing Sources (Uses):					
Bonds and notes issued	-	1,350,000	1,350,000	1,350,000	-
Insurance recovery	750,000	1,814,399	-	1,064,399	(1,814,399)
Operating transfers out	-	(129,845)	(129,845)	(129,845)	-
Total Other Financing Sources (Uses)	750,000	3,034,554	1,220,155	2,284,554	(1,814,399)
Extraordinary items	-	-	1,814,399	-	1,814,399
Net Change in Fund Balances	(719,000)	346,532	546,532	1,065,532	200,000
Fund Balances:					
July 1, 2013	719,000	1,107,104	1,107,104	388,104	-
June 30, 2014	\$ -	1,453,636	1,653,636	1,453,636	200,000

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

WEBSTER COUNTY SCHOOL DISTRICT

Exhibit 4

Budgetary Comparison Schedule
 EHS Fire Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Total Revenues	\$ -	-	-	-	-
Expenditures:					
Instruction	-	21,541	21,541	(21,541)	-
Support services	-	334,998	304,998	(334,998)	30,000
Facilities acquisition and construction	-	2,226	2,226	(2,226)	-
Total Expenditures	-	358,765	328,765	(358,765)	30,000
Excess (Deficiency) of Revenues Over Expenditures	-	(358,765)	(328,765)	(358,765)	30,000
Extraordinary items	-	1,000,000	1,000,000	1,000,000	-
Net Change in Fund Balances	-	641,235	671,235	641,235	30,000
Fund Balances:					
July 1, 2013,	-	-	-	-	-
June 30, 2014	\$ -	641,235	671,235	641,235	30,000

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Webster County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

Webster County School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 175,891
National School Lunch Program	10.555	594,325
Total Child Nutrition Cluster		<u>770,216</u>
Total passed-through Mississippi Department of Education		<u>770,216</u>
Total U. S. Department of Agriculture		<u>770,216</u>
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	132,442
Total Federal Communications Commission		<u>132,442</u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	659,465
Career and Technical Education - Basic Grants to States	84.048	21,294
Rural Education	84.358	33,280
Improving Teacher Quality - State Grants	84.367	210,252
Subtotal		<u>924,291</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	423,578
Special Education - Preschool Grants	84.173	13,523
Total Special Education Cluster		<u>437,101</u>
Total passed-through the Mississippi Department of Education		<u>1,361,392</u>
Total U. S. Department of Education		<u>1,361,392</u>
<u>U.S. Department of Homeland Security</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,132,818
Total passed-through Mississippi Emergency Management Agency		<u>1,132,818</u>
Total Department of Homeland Security		<u>1,132,818</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u>3,396,868</u>

Notes to Schedule

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

Webster County School District

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2014

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,447,034	8,826,325	585,284	804,349	1,231,076
Other	8,281,898	1,176,048	146,577	29,413	6,929,860
Total	\$ 19,728,932	10,002,373	731,861	833,762	8,160,936
Total number of students *	<u>1,894</u>				
Cost per student	\$ <u>10,416</u>	<u>5,281</u>	<u>386</u>	<u>440</u>	<u>4,309</u>

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

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

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

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

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

* includes the number of students on the ADA report submission for month 9, which is the final submission for the school year.

OTHER INFORMATION

WEBSTER COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 2,954,607	2,705,373	2,740,240	2,822,183
State sources	7,738,086	7,444,032	7,335,440	7,538,656
Federal sources	158,330	168,160	166,150	148,627
Total Revenues	<u>10,851,023</u>	<u>10,317,565</u>	<u>10,241,830</u>	<u>10,509,466</u>
Expenditures:				
Instruction	7,491,800	7,337,997	7,009,060	5,982,402
Support services	3,622,703	3,699,521	3,467,220	3,325,540
Noninstructional services	6,453	6,787	6,053	4,057
Facilities acquisition and construction	61,389	27,244	93,294	16,194
Debt Service:				
Principal	-	-	-	1,420
Interest	-	-	-	780
Total Expenditures	<u>11,182,345</u>	<u>11,071,549</u>	<u>10,575,627</u>	<u>9,330,393</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(331,322)</u>	<u>(753,984)</u>	<u>(333,797)</u>	<u>1,179,073</u>
Other Financing Sources (Uses):				
Bonds and notes issued	179,609	-	-	125,710
Insurance recovery	-	7,553	-	12,215
Operating transfers in	1,000,746	167,970	46,886	200,842
Operating transfers out	(615,585)	(187,818)	(105,577)	(867,187)
Other financing uses	-	(167,475)	-	-
Total Other Financing Sources (Uses)	<u>564,770</u>	<u>(179,770)</u>	<u>(58,691)</u>	<u>(528,420)</u>
Net Change in Fund Balances	<u>233,448</u>	<u>(933,754)</u>	<u>(392,488)</u>	<u>650,653</u>
Fund Balances:				
Beginning of period,	679,573	1,613,327	2,005,815	1,355,162
End of Period	<u>\$ 913,021</u>	<u>679,573</u>	<u>1,613,327</u>	<u>2,005,815</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

WEBSTER COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 3,242,265	3,019,903	3,024,334	3,103,398
State sources	9,043,269	9,478,910	8,828,358	8,257,967
Federal sources	3,472,330	2,644,751	4,780,924	3,033,224
Sixteenth section sources	169,149	303,314	453,721	541,428
Total Revenues	<u>15,927,013</u>	<u>15,446,878</u>	<u>17,087,337</u>	<u>14,936,017</u>
Expenditures:				
Instruction	9,155,192	9,091,094	9,105,575	8,505,219
Support services	5,209,352	5,167,053	8,711,260	4,490,649
Noninstructional services	910,582	893,950	884,253	830,927
Sixteenth section	26,344	32,289	75,053	28,993
Facilities acquisition and construction	3,828,392	6,200,384	1,176,252	168,675
Debt service:				
Principal	482,200	411,322	428,360	404,935
Interest	116,370	152,752	165,015	104,067
Other	500	20,745	1,500	1,035
Total Expenditures	<u>19,728,932</u>	<u>21,969,589</u>	<u>20,547,268</u>	<u>14,534,500</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,801,919)</u>	<u>(6,522,711)</u>	<u>(3,459,931)</u>	<u>401,517</u>
Other Financing Sources (Uses):				
Bonds and notes issued	1,529,609	-	-	1,625,710
Insurance recovery	-	7,553	-	460,526
Refunding bonds issued	-	1,591,000	-	-
Payment to escrow agent	-	(1,555,000)	-	-
Payment to refunded bond escrow agent	(106,000)	(106,000)	(16,000)	-
Operating transfers in	1,616,331	462,288	168,963	1,068,029
Other financing sources	106,000	106,000	16,000	-
Operating transfers out	(1,616,331)	(462,288)	(168,963)	(1,068,029)
Other financing uses	(351)	(167,475)	-	-
Total Other Financing Sources (Uses)	<u>1,529,258</u>	<u>(123,922)</u>	<u>-</u>	<u>2,086,236</u>
Extraordinary items	<u>2,814,399</u>	<u>943,612</u>	<u>8,515,591</u>	<u>-</u>
Net Change in Fund Balances	<u>541,738</u>	<u>(5,703,021)</u>	<u>5,055,660</u>	<u>2,487,753</u>
Fund Balances:				
Beginning of period,	4,899,095	10,604,619	5,544,030	3,048,964
Increase (Decrease) in inventory	(6,239)	(2,503)	4,929	7,313
End of period	<u>\$ 5,434,594</u>	<u>4,899,095</u>	<u>10,604,619</u>	<u>5,544,030</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webster County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Webster County School District's basic financial statements, and have issued our report thereon dated March 20, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 20, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

Superintendent and School Board
Webster County School District

Report on Compliance for Each Major Federal Program

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 its major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Webster County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination of the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Webster County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2014-001, that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of out testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 20, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2014, which collectively comprise the Webster County School District's basic financial statements and have issued our report thereon dated March 20, 2015. 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 ensure 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 \$0 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 ensure 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 20, 2015

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Webster County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - State Grants

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

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned cost related to the federal awards.

Significant Deficiency:

Program: Child Nutrition Cluster
Passed-through Mississippi Department of Education
CFDA 10.553 & 10.555

Compliance requirement: Program Income

Finding 2014-001:

Condition:

School lunch room cash count sheets were not provided for Eupora High School and East Webster Elementary. In addition, Eupora Elementary School did not sign their cash count sheets.

Criteria:

Proper internal control should be in place to ensure that daily cash count sheets are properly maintained, signed and attested to by more than one individual.

Cause:

Controls were not in place to ensure that daily cash count sheets are properly maintained, signed and attested to by more than one individual.

Effect:

Daily count sheets were not provided in some instances and not properly signed in others as stated above.

Recommendation:

Controls should be established and appropriately monitored to ensure that daily count sheets are properly maintained, signed and attested to by more than one individual.

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

Webster County School District
95 Clark Ave.
Eupora, MS 39744
Mr. Jack Treloar - Superintendent
Mr. James Shaw - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____.315(c) of 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 Cost for the year ended June 30, 2014:

Finding

Corrective Action Plan Details

2014-001

a. Name of Contact Person Responsible for Corrective Action:

Name: James Shaw
Title: Business Manager
Phone Number: 662-258-5921

b. Corrective Action Planned:

The District will established and appropriately monitored to ensure that daily count sheets are properly maintained, signed and attested to by more than one individual.

c. Anticipated Completion Date:

June 30, 2015

Webster County School District
95 Clark Ave.
Eupora, MS 39744
Mr. Jack Treloar - Superintendent
Mr. James Shaw - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

As required by Section _____.315(b) of 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, 2014:

<u>Finding</u>	<u>Status</u>
2013-2	Corrected