



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

WAYNE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013



WAYNE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	19
Government Funds Financial Statements	
Exhibit C - Balance Sheet	21
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	25
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	29
Notes to the Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	51
Budgetary Comparison Schedule - 16th Section Interest Fund	53
Notes to the Required Supplementary Information	55
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	59
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	61
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	65
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	67
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	71
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	73
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	83
AUDITEE'S CORRECTIVE ACTION PLAN	91
SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS	95



INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

Suzanne E. Smith, CPA, PLLC
Certified Public Accountant
P. O. Box 7124 • Meridian, MS 39304

Accounting and Auditing Services
Email: sesmithcpa@msn.com

Telephone: 601-482-8040
Cell: 601-938-5717

Member MSCPA

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Wayne County School District 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 Wayne County School District School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Wayne County School District 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District School District, as of June 30, 2013, 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 5-14 and 51-55 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

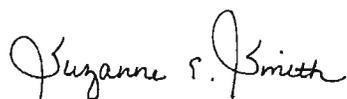
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits 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 information 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 January 3, 2014, on our consideration of the Wayne County School District 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 Wayne County School District School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA
Meridian, Mississippi

January 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Wayne County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. 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 2013 increased \$14,113,286, including a prior period adjustment of \$352,186, which represents a 20% increase from fiscal year 2012. Total net position for 2012 increased \$14,755,258, including a prior period adjustment of \$37,522, which represents a 26% increase from fiscal year 2011.
- General revenues amounted to \$35,085,530 and \$37,444,149, or 75% and 83% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,876,733, or 25% of total revenues for 2013, and \$7,513,430, or 17 % of total revenues for 2012.
- The District had \$33,201,163 and \$30,239,843 in expenses for fiscal years 2013 and 2012; only \$11,876,733 for 2013 and \$7,513,430 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$35,085,530 for 2013 and \$37,444,149 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$21,038,049 in revenues and \$23,817,009 in expenditures for 2013, and \$20,873,200 in revenues and \$21,319,911 in expenditures in 2012. The General Fund's fund balance decreased by \$1,462,100, including a prior period adjustment of \$76,190, from 2012 to 2013, and increased by \$1,405,255, including a prior period adjustment of \$31,130, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$1,139,470 for 2013 and increased by \$2,627,570 for 2012. The increase for 2013 was due primarily to the addition of \$938,913 in construction in progress, the addition of \$125,000 in land, and the addition of \$953,852 in other additions, coupled with the increase in current year depreciation of \$1,081,104.
- Long-term debt, including the liability for compensated absences, decreased by \$796,685 for 2013 and decreased by \$443,831 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$106,685 for 2013 and increased by \$10,514 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

WAYNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 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:

WAYNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 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 \$85,001,160 as of June 30, 2013.

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.

WAYNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Percentage Change
Current assets	\$ 8,954,256	\$ 5,465,851	63.82 %
Restricted assets	60,268,745	50,869,480	18.48 %
Capital assets, net	26,433,909	25,294,439	4.50 %
Total assets	<u>95,656,910</u>	<u>81,629,770</u>	17.18 %
Current liabilities	2,468,198	1,794,438	37.55 %
Long-term debt outstanding	8,187,552	8,947,458	-8.49 %
Total liabilities	<u>10,655,750</u>	<u>10,741,896</u>	-0.80 %
Net position:			
Net investment in capital assets	18,519,892	16,707,491	10.85 %
Restricted	64,258,225	50,428,843	27.42 %
Unrestricted	2,223,043	3,751,540	-40.74 %
Total net position	<u>\$ 85,001,160</u>	<u>\$ 70,887,874</u>	19.91 %

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 \$1,139,470.
- The principal retirement of \$690,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$46,962,263 and \$44,957,579, respectively. The total cost of all programs and services was \$33,201,163 for 2013 and \$30,239,843 for 2012.

WAYNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 5,958,621	\$ 1,360,919	337.84 %
Operating grants and contributions	5,918,112	5,842,211	1.30 %
Capital Grants and contributions	-	310,300	(100.00) %
General revenues:			
Property taxes	4,532,761	4,417,652	2.61 %
Grants and contributions not restricted	16,682,216	16,912,635	(1.36) %
Investment earnings	377,346	1,708,851	(77.92) %
Sixteenth section sources	13,447,370	14,336,961	(6.20) %
Other	45,837	68,050	(32.64) %
Total revenues	<u>46,962,263</u>	<u>44,957,579</u>	4.46 %
Expenses:			
Instruction	17,366,075	16,130,534	7.66 %
Support services	11,969,229	10,396,476	15.13 %
Non-instructional	2,192,782	2,302,547	(4.77) %
Sixteenth section	1,312,825	920,116	42.68 %
Interest on long-term liabilities	360,252	490,170	(26.50) %
Total expenses	<u>33,201,163</u>	<u>30,239,843</u>	9.79 %
Increase (Decrease) in net position	<u>13,761,100</u>	<u>14,717,736</u>	(6.50) %
Net Position, July 1, as previously reported	<u>70,887,874</u>	<u>56,132,616</u>	26.29 %
Prior Period Adjustment	352,186	37,522	838.61 %
Net Position, July 1, as restated	<u>71,240,060</u>	<u>56,170,138</u>	26.83 %
Net Position, June 30	<u>\$ 85,001,160</u>	<u>\$ 70,887,874</u>	19.91 %

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.

WAYNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 17,366,075	\$ 16,130,534	7.66 %
Support services	11,969,229	10,396,476	15.13 %
Non-instructional	2,192,782	2,302,547	(4.77) %
Sixteenth section	1,312,825	920,116	42.68 %
Interest on long-term liabilities	360,252	490,170	(26.50) %
Total expenses	\$ 33,201,163	\$ 30,239,843	9.79 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (14,336,578)	\$ (12,684,535)	13.02 %
Support services	(5,663,373)	(8,691,263)	(34.84) %
Non-instructional	110,361	(66,972)	(264.79) %
Sixteenth section	(1,188,837)	(793,473)	49.83 %
Interest on long-term liabilities	(246,003)	(490,170)	(49.81) %
Total net (expense) revenue	\$ (21,324,430)	\$ (22,726,413)	(6.17) %

- Net cost of governmental activities [(21,324,430) for 2013 and (22,726,413) for 2012] was financed by general revenue, which is primarily made up of property taxes (\$4,532,761 for 2013 and \$4,417,652 for 2012) and state and federal revenues (\$16,682,216 for 2013 and \$16,912,635 for 2012). In addition, there was \$13,447,370 and \$14,336,961 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$377,346 for 2013 and \$1,708,851 for 2012.

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 \$66,794,193, an increase of \$12,203,776, which includes a prior period adjustment of \$61,441 and an increase in inventory of \$3,528. \$2,412,713, or 4% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$64,381,480 or 96% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

WAYNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,462,100, including a prior period adjustment of \$76,190. The fund balance of Other Governmental Funds showed an increase in the amount of \$3,562,906, which includes an increase in reserve for inventory of \$3,528. 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	\$	(48,724)
16th Section Principal Fund	\$	10,151,694

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$38,827,386 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 \$1,832,854 from 2012. Total accumulated depreciation as of June 30, 2013, was \$12,393,477, and total depreciation expense for the year was \$1,081,104, resulting in total net capital assets of \$26,433,909.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 223,257	\$ 98,257	127.22 %
Construction in Progress	1,000,983	62,070	1,512.67 %
Buildings	20,969,574	21,552,368	(2.70) %
Building improvements	1,819,945	1,681,218	8.25 %
Improvements other than buildings	298,318	100,083	198.07 %
Mobile equipment	1,826,160	1,450,199	25.92 %
Furniture and equipment	295,672	350,244	(15.58) %
Total	\$ 26,433,909	\$ 25,294,439	4.50 %

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

WAYNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$8,318,825 in outstanding long-term debt, of which \$710,000 is due within one year. The liability for compensated absences decreased \$106,685 from the prior year. The district made principal payments on long-term debt in the amount of \$690,000.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 2,660,000	\$ 3,135,000	(15.15) %
Three mill notes payable	2,405,000	2,620,000	(8.21) %
Qualified school construction bonds	3,000,000	3,000,000	0.00 %
Compensated absences payable	<u>253,825</u>	<u>360,510</u>	(29.59) %
Subtotal	<u>8,318,825</u>	<u>9,115,510</u>	(8.74) %
Less: Unamortized bond discount	(19,710)	(23,652)	(16.67) %
Add: Unamortized bond premium	16,656	18,322	(9.09) %
Less: Deferred loss on refunding	<u>(147,929)</u>	<u>(162,722)</u>	(9.09) %
Total	<u>\$ 8,167,842</u>	<u>\$ 8,947,458</u>	(8.71) %

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

CURRENT ISSUES

Wayne County School District is financially stable. The district is proud of its community support of the public schools. The district has committed itself to financial excellence. The district plans to continue its sound fiscal management to meet the challenges of the future.

Enrollment for the 2012-2013 year decreased by less than 2 percent to 3,579 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 Wayne County School District School District, 810 Chickasawhay Street, Waynesboro, Mississippi 39367.

FINANCIAL STATEMENTS

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,878,480
Due from other governments	861,361
Other receivables, net	104,734
Inventories	25,816
Deferred debt issuance costs	64,155
Unamortized bond discount	19,710
Restricted assets	60,268,745
Capital assets, net of accumulated depreciation	26,433,909
Total Assets	95,656,910
Liabilities	
Accounts payable and accrued liabilities	2,299,491
Unearned revenue	45,452
Interest payable on long-term liabilities	123,255
Long-term liabilities, due within one year:	
Capital related liabilities	710,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	7,355,000
Non-capital related liabilities	253,825
Deferred loss on bond refunding	(147,929)
Unamortized bond premium	16,656
Total Liabilities	10,655,750
Net Position	
Net investment in capital assets	18,519,892
Restricted for:	
Expendable:	
School-based activities	1,310,354
Debt service	1,073,634
Capital improvements	3,486,741
Forestry improvements	119,185
Unemployment benefits	83,000
Non-expendable:	
Sixteenth section	58,185,311
Other	
Unrestricted	2,223,043
Total Net Position	\$ 85,001,160

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

(This page left blank intentionally)

**Statement of Activities
For the Year Ended June 30, 2013**

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 17,366,075	848,976	2,180,521		(14,336,578)
Support services	11,969,229	4,666,085	1,639,771		(5,663,373)
Non-instructional	2,192,782	319,572	1,983,571		110,361
Sixteenth section	1,312,825	123,988			(1,188,837)
Interest on long-term liabilities	360,252		114,249		(246,003)
Total Governmental Activities	\$ 33,201,163	5,958,621	5,918,112	0	(21,324,430)
General Revenues:					
Taxes:					
					4,406,973
General purpose levies					125,788
Debt purpose levies					
Gaming					
Unrestricted grants and contributions:					
State					16,182,677
Federal					499,539
Unrestricted investment earnings					377,346
Sixteenth section sources					13,447,370
Other					45,837
Total General Revenues					35,085,530
Change in Net Position					13,761,100
Net Position - Beginning, as previously reported					70,887,874
Prior Period Adjustments					352,186
Net Position - Beginning, as restated					71,240,060
Net Position - Ending					\$ 85,001,160

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

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund		
Assets					
Cash and cash equivalents	\$ 1,607,530	1,237,529	3,191,637	5,033,421	11,070,117
Cash with fiscal agents			4,920,139	3,265	4,923,404
Investments			50,975,309	880,801	51,856,110
Due from other governments	414,653			744,302	1,158,955
Due from other funds	2,923,107	9,940	15,046	40,184	2,988,277
Advance to other funds			852,455		852,455
Inventories				25,816	25,816
Total assets	4,945,290	1,247,469	59,954,586	6,727,789	72,875,134
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	1,231,855			552,710	1,784,565
Due to other funds	62,332	1,182,888	1,304,265	360,710	2,910,195
Advances from other funds	852,455				852,455
Deferred revenue		23,262		22,190	45,452
Other payables	22,227	1,037	465,010		488,274
Total Liabilities	2,168,869	1,207,187	1,769,275	935,610	6,080,941
Fund Balances:					
Nonspendable:					
Inventory				25,816	25,816
Permanent fund principal			57,332,856		57,332,856
Advances			852,455		852,455
Restricted:					
Debt service				1,196,889	1,196,889
Capital projects				3,486,741	3,486,741
Forestry improvement purposes				119,185	119,185
Grant activities				880,548	880,548
Unemployment benefits				83,000	83,000
Board use		40,282			40,282
Assigned:					
Student Activities	363,708				363,708
Unassigned	2,412,713				2,412,713
Total Fund Balances	2,776,421	40,282	58,185,311	5,792,179	66,794,193
Total Liabilities and Fund Balances	\$ 4,945,290	1,247,469	59,954,586	6,727,789	72,875,134

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

(This page left blank intentionally)

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013**

Exhibit C-1

Total fund balances for governmental funds \$ 66,794,193

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	\$ 223,257	
Construction in progress	1,000,983	
Buildings	27,811,094	
Building improvements	2,932,723	
Improvements other than buildings	506,569	
Mobile equipment	4,973,249	
Furniture and equipment	1,379,511	
Accumulated depreciation	<u>(12,393,477)</u>	26,433,909

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

Limited obligation refunding bonds	(2,660,000)	
Notes payable	(2,405,000)	
Qualified school construction bonds	(3,000,000)	
Compensated absences payable	(253,825)	
Unamortized loss on refunding	147,929	
Unamortized discounts	19,710	
Unamortized premiums	(16,656)	
Deferred charges on debt issuance	64,155	
Accrued interest payable	<u>(123,255)</u>	(8,226,942)

Net Position of governmental activities \$ 85,001,160

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

(This page left blank intentionally)

**WAYNE COUNTY SCHOOL DISTRICT
Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013**

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	
Revenues:					
Local sources	5,397,596			471,521	5,869,117
State sources	15,232,893			1,712,338	16,945,231
Federal sources	407,560			5,246,854	5,654,414
Sixteenth section sources		1,168,410	12,513,128	135,477	13,817,015
Total Revenues	21,038,049	1,168,410	12,513,128	7,566,190	42,285,777
Expenditures:					
Instruction	14,244,356			3,196,886	17,441,242
Support services	9,520,463	22		2,385,228	11,905,713
Noninstructional services	34,996			2,154,407	2,189,403
Sixteenth section	1,030	34,346	1,074,147	203,302	1,312,825
Facilities acquisition and construction				938,913	938,913
Debt service:					
Principal				690,000	690,000
Interest	16,164			323,859	340,023
Other				5,337	5,337
Total Expenditures	23,817,009	34,368	1,074,147	9,897,932	34,823,456
Excess (Deficiency) of Revenues over (under) Expenditures	(2,778,960)	1,134,042	11,438,981	(2,331,742)	7,462,321
Other Financing Sources (Uses):					
Insurance recovery	5,000			4,661,085	4,666,085
Payment to Qualified School Construction debt escrow agent				200,000	200,000
Sale of transportation equipment	7,982				7,982
Sale of other property	400			2,019	2,419
Operating transfers in	2,476,031			1,248,743	3,724,774
Operating transfers out	(1,248,743)	(1,168,017)	(1,287,287)	(20,727)	(3,724,774)
Transfer to Qualified School Construction debt escrow agent				(200,000)	(200,000)
Total Other Financing Sources (Uses)	1,240,670	(1,168,017)	(1,287,287)	5,891,120	4,676,486
Net Change in Fund Balances	(1,538,290)	(33,975)	10,151,694	3,559,378	12,138,807
Fund Balances:					
July 1, 2012, as previously reported	4,238,521	89,006	48,033,617	2,229,273	54,590,417
Prior period adjustments	76,190	(14,749)			61,441
July 1, 2012, as restated	4,314,711	74,257	48,033,617	2,229,273	54,651,858
Increase (Decrease) in reserve for inventory				3,528	3,528
June 30, 2013	2,776,421	40,282	58,185,311	5,792,179	66,794,193

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

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 12,138,807**

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	\$ 2,017,765	
Depreciation expense	(1,081,104)	936,661

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.

(87,937)

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:

Payments of debt principal	690,000	
Accrued interest payable	(3,160)	
Deferred issuance costs	(6,416)	680,424

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

Change in compensated absences	106,685	
Change in inventory reserve	3,528	
Amortization of deferred charges, premiums and discounts	(17,068)	93,145

Change in Net Position of governmental activities **\$ 13,761,100**

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

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2013

	Agency Funds
Assets	
Cash and cash equivalents	\$ 208,646
Due from other funds	26,652
Total Assets	<u>235,298</u>
Liabilities	
Accounts payable and accrued liabilities	355
Due to other funds	104,734
Due to student clubs	130,209
Total Liabilities	<u>235,298</u>

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

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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, Wayne 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. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net 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 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.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 a special revenue fund that accounts for the expendable resources generated from the District's Sixteenth Section lands.

16th Section Principal Fund – This permanent fund accounts for the nonexpendable resources generated from the District's Sixteenth Section lands.

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 district's fiduciary funds include the following:

Payroll Clearing Fund – This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the payroll expenditure control cycle.

Accounts Payable Clearing Fund – This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the non-payroll expenditure control cycle.

Student Club Accounts – These are fiduciary funds that account for the assets and liabilities associated with student club activities.

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

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

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

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 all considered to be susceptible to accrual.

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

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

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

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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the School District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

District deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

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.

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,

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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:

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

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

7. Compensated Absences

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

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

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

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue costs, 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.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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.

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. The District had no committed fund balances at June 30, 2013.

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 business manager and superintendent pursuant to authorization established by board 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.

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

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

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 \$11,070,117 and \$208,646, 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, 2013, none of the District's bank balance of \$12,221,998 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the School District's cash with fiscal agents held by financial institutions was \$4,923,404 in the governmental funds statement. The balance of cash with fiscal agents held by financial institutions is shown as restricted assets on the Government-wide Statement of Net Position.

Investments

As of June 30, 2013, the District had the following investments.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	Less than 1 year	402,713
U.S. Government securities	AAA	7-8 years	\$ 1,092,682
U.S. Government securities	AAA	8-9 years	3,758,460
U.S. Government securities	AAA	9-10 years	12,927,273
U.S. Government Agency Bonds	AAA	Less than 1 year	558,160
U.S. Government Agency Bonds	AAA	6-7 years	310,296
U.S. Government Agency Bonds	AAA	7-8 years	540,125
U.S. Government Agency Bonds	AAA	8-9 years	2,205,675
U.S. Government Agency Bonds	AAA	9-10 years	2,572,933
U.S. Government Agency Bonds	AAA	10-11 years	166,259
U.S. Government Agency Bonds	AAA	16-17 years	234,595
U.S. Government Agency Bonds	AAA	17-18 years	466,175
U.S. Government Agency Bonds	AAA	18-19 years	330,980
U.S. Government Agency Bonds	AAA	26-27 years	2,697,055
U.S. Government Agency Bonds	AAA	27-28 years	5,143,449
U.S. Government Agency Bonds	AAA	28-29 years	10,032,208
U.S. Government Agency Bonds	AAA	29-30 years	1,551,484
U.S. Government Agency Bonds	AAA	30-31 years	6,387,500
Hancock Horizon Treasury Securities	AAAm	Less than 1 year	478,088
Total Investments			\$ <u>51,856,110</u>

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. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

The investments are shown as restricted assets on the Government-wide Statement of Net Position.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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	16th Section Interest Fund	\$ 1,167,842
	16th Section Principal Fund	1,304,265
	Other governmental funds	360,710
	Fiduciary funds	90,290
16th Section Interest Fund	General Fund	9,940
16th Section Principal Fund	16th Section Interest Fund	15,046
Other governmental funds	General Fund	25,740
	Fiduciary funds	14,444
Fiduciary funds	General Fund	26,652
Total		<u>\$ 3,014,929</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in pooled bank accounts caused by negative Federal award program cash flows and to show the effects of board approved operating transfers and the resulting interfund balances caused by those approved transfers.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 852,455
Total		<u>\$ 852,455</u>

The advances to/from other funds are also referred to as Sixteenth Section Principal Loans payable. This type of interfund balance is described below.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	\$ 89,737	34,098	123,835
2015	93,326	30,509	123,835
2016	97,059	26,776	123,835
2017	100,942	22,893	123,835
2018	104,980	18,855	123,835
2019 - 2023	366,411	38,671	405,082
Total	\$ 852,455	171,802	1,024,257

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,248,743
16th Section Interest Fund	General Fund	1,168,017
16th Section Principal Fund	General Fund	1,287,287
Other governmental funds	General Fund	20,727
Total		\$ 3,724,774

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, cash with fiscal agents balance, and investment balance, totaling \$3,191,637, \$4,920,139, and \$50,975,309 respectively, 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 investment balance and due from other governments balance, totaling \$478,088 and \$297,594, respectively, of the MAEP Limited Obligation Bond/Note Fund. In addition, the restricted assets represent the cash with fiscal agents balance and investment balance, totaling \$3,265 and \$402,713, respectively, of the QSCB Bond Retirement Fund. Total restricted assets are \$60,268,745.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 98,257	125,000			223,257
Construction-in-progress	62,070	938,913			1,000,983
Total non-depreciable capital assets	160,327	1,063,913	-		1,224,240
<u>Depreciable capital assets:</u>					
Buildings	28,124,996		313,902		27,811,094
Building improvements	2,604,989			327,734	2,932,723
Improvements other than buildings	288,072	218,497			506,569
Mobile equipment	4,530,660	690,550	241,464	(6,497)	4,973,249
Furniture and equipment	1,285,488	44,805	100,733	149,951	1,379,511
Total depreciable capital assets	36,834,205	953,852	656,099	471,188	37,603,146
<u>Less accumulated depreciation for:</u>					
Buildings	6,572,628	520,013	251,121		6,841,520
Building improvements	923,771	107,434		81,573	1,112,778
Improvements other than buildings	187,989	20,262			208,251
Mobile equipment	3,080,461	283,945	217,317		3,147,089
Furniture and equipment	935,244	149,450	99,724	98,869	1,083,839
Total accumulated depreciation	11,700,093	1,081,104	568,162	180,442	12,393,477
Total depreciable capital assets, net	25,134,112	(127,252)	87,937	290,746	25,209,669
Governmental activities capital assets, net	25,294,439	936,661	87,937	290,746	26,433,909

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 28,661
Support services	1,016,605
Non-instructional	35,838
Total depreciation expense - Governmental activities	<u>\$ 1,081,104</u>

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
Bleachers/Stadium Addition - WCHS	\$ 304,948	908,049
Plaza Project	382	228,127
Fieldhouse Project	86,914	1,358,390
Concessions/Restrooms	119,821	263,848
Clara Elementary Reconstruction	488,918	5,278,906
Total governmental activities	<u>\$ 1,000,983</u>	<u>8,037,320</u>

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Construction projects included in governmental activities are funded with proceeds of Qualified School Construction bonds, insurance proceeds from the fire at Clara Elementary School, and proceeds from Sixteenth Section Principal Loans.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 3,135,000		475,000	2,660,000	490,000
B. Three mill notes payable	2,620,000		215,000	2,405,000	220,000
C. Qualified school construction bonds payable	3,000,000			3,000,000	
D. Compensated absences payable	360,510		106,685	253,825	
Total	\$ 9,115,510	-	796,685	8,318,825	710,000
Less: Unamortized bond discount	(23,652)		3,942	(19,710)	
Add: Unamortized bond premium	18,322		(1,666)	16,656	
Less: Deferred loss on refunding	(162,722)		14,793	(147,929)	
	\$ 8,947,458	-	813,754	8,167,842	

A. Limited obligation refunding bonds payable

Limited obligation refunding 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
Improvement Refunding Bonds, 1. Series 2007	3.70- 3.86%	27-Feb-07	1-Nov-17	\$ 4,555,000	\$ 2,660,000
Total				\$ 4,555,000	\$ 2,660,000

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

- Limited obligation bond issue of February 27, 2007:

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	\$ 490,000	91,967	581,967
2015	515,000	73,021	588,021
2016	530,000	53,218	583,218
2017	555,000	43,147	598,147
2018	570,000	22,002	592,002
Total	\$ 2,660,000	283,355	2,943,355

This debt will be retired from the MAEP Debt Retirement 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.

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$4,555,000 in limited obligation refunding bonds payable issued. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through November 1, 2017. Annual principal and interest payments on the bonds are expected to require approximately four (4) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$2,943,355. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were \$585,061 and \$15,762,344, respectively.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Notes, Series 2012	0.85% - 2.50%	1-May-12	1-May-23	\$ 2,475,000	\$ 2,405,000
Total				\$ 2,475,000	\$ 2,405,000

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

1. Three mill notes payable issue of May 1, 2012:

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	\$ 220,000	46,545	266,545
2015	225,000	44,675	269,675
2016	230,000	42,425	272,425
2017	235,000	37,825	272,825
2018	240,000	33,125	273,125
2019 – 2023	1,255,000	89,975	1,344,975
Total	\$ 2,405,000	294,570	2,699,570

This debt will be retired from the Three Mill Note Debt Service Fund.

C. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the School District that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Series 2010-A	0.13%	1-Dec-10	1-Dec-25	\$ 1,500,000	\$ 1,500,000
2. Series 2010-B	0.00%	1-Dec-10	1-Dec-25	1,500,000	1,500,000
Total				\$ 3,000,000	\$ 3,000,000

The School District has pledged a portion of future state Educational Enhancement Funds for Buildings and Buses to repay \$3,000,000 in Qualified school construction bonds payable issued. Proceeds from the bonds were used to improve the District's buildings. The bonds are payable in part from the pledge and other District monies and are payable through December 1, 2025. Annual transfers to the escrow agent are expected to require all of such state revenues. The total remaining transfers to be made to the escrow agent are \$2,600,000. Transfers for the current year and total Educational Enhancement Funds for Buildings and Buses were \$200,000 and \$114,249, respectively.

D. 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 Wayne County School District 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, 2013, \$2,160,000 of bonds outstanding are defeased.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 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, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$2,308,345, \$2,050,261 and \$1,947,081, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 77,093
2015	32,499
2016	30,422
2017	27,698
2018	23,277
2019 – 2023	57,996
2024 – 2028	7,870
2029 – 2033	3,592
Total	<u>\$ 260,447</u>

Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of a prior period asset or liability	\$ 61,441
2. Adjustment of capital assets to restate prior periods	290,745
Total	<u>\$ 352,186</u>

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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

Fund	Explanation	Amount
General Fund	Restate a prior period asset	\$ 76,190
16th Section Interest Fund	Restate a prior period liability	(14,749)
		<hr/>
Total		<u>\$ 61,441</u>

Note 11 – 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.

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 12 – 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. 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 years.

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the School District.

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

The School District makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$402,713. 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.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Year Ending June 30	Amount
2014	\$ 200,000
2015	200,000
2016	200,000
2017	200,000
2018	200,000
2019 – 2023	1,000,000
2024 – 2028	600,000
Total	<u>\$ 2,600,000</u>

Note 14 - Insurance loss recoveries

The Wayne County School District School District received \$4,666,085 in insurance loss recoveries related to fire damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 4,666,085	100%	Support services
<u>\$ 4,666,085</u>	<u>100%</u>	

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(This page left blank intentionally)

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 0	5,200,563	5,397,596	5,200,563	197,033
State sources	0	15,738,794	15,232,893	15,738,794	(505,901)
Federal sources	0	313,225	407,560	313,225	94,335
Sixteenth section sources	0			0	0
Total Revenues	0	21,252,582	21,038,049	21,252,582	(214,533)
Expenditures:					
Instruction	0	14,169,618	14,244,356	(14,169,618)	(74,738)
Support services	0	9,491,237	9,520,463	(9,491,237)	(29,226)
Noninstructional services	0	34,996	34,996	(34,996)	0
Sixteenth section	0	0	1,030	0	(1,030)
Facilities acquisition and construction	0	5,300	0	(5,300)	5,300
Debt service:					
Interest	0	16,164	16,164	(16,164)	0
Total Expenditures	0	23,717,315	23,817,009	(23,717,315)	(99,694)
Excess (Deficiency) of Revenues over (under) Expenditures	0	(2,464,733)	(2,778,960)	(2,464,733)	(314,227)
Other Financing Sources (Uses):					
Insurance recovery	0	5,000	5,000	5,000	0
Sale of transportation equipment	0	7,982	7,982	7,982	0
Sale of other property	0	400	400	400	0
Operating transfers in	0	4,230,410	2,476,031	4,230,410	(1,754,379)
Operating transfers out	0	(4,204,851)	(1,248,743)	(4,204,851)	2,956,108
Total Other Financing Sources (Uses)	0	38,941	1,240,670	38,941	1,201,729
Net Change in Fund Balances	0	(2,425,792)	(1,538,290)	(2,425,792)	887,502
Fund Balances:					
July 1, 2012, as previously reported	0	4,236,160	4,238,521	4,236,160	2,361
Prior period adjustments	0	(1,692)	76,190	(1,692)	77,882
July 1, 2012, as restated	0	4,234,468	4,314,711	4,234,468	80,243
June 30, 2013	\$ 0	1,808,676	2,776,421	1,808,676	967,745

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

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 0	1,149,649	1,168,410	1,149,649	18,761
Total Revenues	0	1,149,649	1,168,410	1,149,649	18,761
Expenditures:					
Support services	0	22	22	(22)	0
Sixteenth section	0	33,309	34,346	(33,309)	(1,037)
Total Expenditures	0	33,331	34,368	(33,331)	(1,037)
Excess (Deficiency) of Revenues over (under) Expenditures	0	1,116,318	1,134,042	1,116,318	17,724
Other Financing Sources (Uses):					
Operating transfers out	0	(816,660)	(1,168,017)	(816,660)	(351,357)
Total Other Financing Sources (Uses)	0	(816,660)	(1,168,017)	(816,660)	(351,357)
Net Change in Fund Balances	0	299,658	(33,975)	299,658	(333,633)
Fund Balances:					
July 1, 2012, as previously reported		64,997	89,006	64,997	24,009
Prior period adjustments		(14,749)	(14,749)	(14,749)	0
July 1, 2012, as restated	0	50,248	74,257	50,248	24,009
June 30, 2013	\$ 0	349,906	40,282	349,906	(309,624)

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

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(This page left blank intentionally)

SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 625,458
National school lunch program	10.555	1,318,285
National school lunch program - commodities	10.555	129,392
Summer food service program for children	10.559	6,760
Total child nutrition cluster		<u>2,079,895</u>
Total passed-through Mississippi Department of Education		<u>2,079,895</u>
Passed-through Wayne County, Mississippi:		
Schools and roads - grants to states	10.665	227,556
Total passed-through Wayne County, Mississippi		<u>227,556</u>
Total U.S. Department of Agriculture		<u>2,307,451</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	47,606
Total U.S. Department of Defense		<u>47,606</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	106,876
Total Federal Communications Commission		<u>106,876</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education	84.048	50,159
Rural education	84.358	128,029
Improving teacher quality-State Grants	84.367	316,962
Teacher incentive fund	84.374	78,884
Subtotal		<u>574,034</u>
Title I Part A cluster:		
Title I grants to local educational agencies	84.010	1,224,105
Total Title I Part A cluster		<u>1,224,105</u>
Special education cluster:		
Special education - grants to states	84.027	984,798
Special education - preschool grants	84.173	63,654
Total special education cluster		<u>1,048,452</u>
Total passed-through Mississippi Department of Education		<u>2,846,591</u>
Total U.S. Department of Education		<u>2,846,591</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	5,806
Total passed-through Mississippi Department of Education		<u>5,806</u>
Total U.S. Department of Health and Human Services		<u>5,806</u>
Total for All Federal Awards		<u>\$ 5,314,330</u>

NOTES TO SCHEDULE

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

WAYNE COUNTY SCHOOL DISTRICT
Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 23,483,012	17,389,063	1,135,822	1,796,167	3,161,960
Other	11,340,444	1,434,948	410,210	77,107	9,418,179
Total	\$ 34,823,456	18,824,011	1,546,032	1,873,274	12,580,139
Total number of students *	3,579				
Cost per student	\$ 9,730	5,260	432	523	3,515

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

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

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

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

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

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

(This page left blank intentionally)

OTHER INFORMATION

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 5,397,596	5,073,862	4,995,932	4,129,797
State sources	15,232,893	15,293,450	14,543,308	15,604,082
Federal sources	407,560	505,888	948,661	421,938
Total Revenues	21,038,049	20,873,200	20,487,901	20,155,817
Expenditures:				
Instruction	14,244,356	12,771,750	11,384,885	12,708,165
Support services	9,520,463	8,401,658	8,497,656	7,982,081
Noninstructional services	34,996	40,815	46,044	60,805
Sixteenth section	1,030			
Facilities acquisition and construction		54,271	31,510	
Debt service:				
Principal		14,345	27,719	42,998
Interest	16,164	37,072	31,687	32,034
Total Expenditures	23,817,009	21,319,911	20,019,501	20,826,083
Excess (Deficiency) of Revenues over (under) Expenditures	(2,778,960)	(446,711)	468,400	(670,266)
Other Financing Sources (Uses):				
Insurance recovery	5,000	54,504	25,631	16,131
Sale of transportation equipment	7,982			
Sale of other property	400	1,000	388	3,405
Operating transfers in	2,476,031	3,109,796	1,818,900	2,053,684
Operating transfers out	(1,248,743)	(1,344,464)	(802,235)	(1,301,903)
Total Other Financing Sources (Uses)	1,240,670	1,820,836	1,042,684	771,317
Net Change in Fund Balances	(1,538,290)	1,374,125	1,511,084	101,051
Fund Balances:				
Beginning of period, as previously reported	4,238,521	2,833,266	1,314,434	1,201,796
Prior period adjustments	76,190	31,130	7,748	11,587
Beginning of period, as restated	4,314,711	2,864,396	1,322,182	1,213,383
End of Period	\$ 2,776,421	4,238,521	2,833,266	1,314,434

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 5,869,117	5,742,782	5,654,045	4,764,912
State sources	16,945,231	17,120,259	16,325,162	16,775,064
Federal sources	5,654,414	5,962,071	14,038,595	8,489,104
Sixteenth section sources	13,817,015	16,076,963	10,908,215	9,498,353
Total Revenues	<u>42,285,777</u>	<u>44,902,075</u>	<u>46,926,017</u>	<u>39,527,433</u>
Expenditures:				
Instruction	17,441,242	16,079,861	16,448,446	17,800,018
Support services	11,905,713	9,920,780	9,925,701	9,916,028
Noninstructional services	2,189,403	2,403,755	2,046,651	2,017,166
Sixteenth section	1,312,825	920,116	298,751	206,938
Facilities acquisition and construction	938,913	3,027,898	7,307,486	924,659
Debt service:				
Principal	690,000	669,345	627,719	631,895
Interest	340,023	397,284	307,867	331,513
Other	5,337	76,987		
Total Expenditures	<u>34,823,456</u>	<u>33,496,026</u>	<u>36,962,621</u>	<u>31,828,217</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,462,321</u>	<u>11,406,049</u>	<u>9,963,396</u>	<u>7,699,216</u>
Other Financing Sources (Uses):				
Insurance recovery	4,666,085	54,504	25,631	16,131
Proceeds of Qualified School Construction Bonds			3,000,000	
Refunding bonds issued		2,475,000		
Payment to Qualified School Construction debt escrow agent	200,000	200,000		
Premiums on refunding bonds issued		19,988		
Sale of transportation equipment	7,982			
Sale of other property	2,419	1,000	388	3,405
Operating transfers in	3,724,774	4,449,248	2,621,135	3,355,587
Operating transfers out	(3,724,774)	(4,449,248)	(2,621,135)	(3,355,587)
Transfer to refunded bond escrow agent		(2,418,000)		
Transfer to Qualified School Construction debt escrow agent	(200,000)	(200,000)		
Total Other Financing Sources (Uses)	<u>4,676,486</u>	<u>132,492</u>	<u>3,026,019</u>	<u>19,536</u>
Net Change in Fund Balances	<u>12,138,807</u>	<u>11,538,541</u>	<u>12,989,415</u>	<u>7,718,752</u>
Fund Balances:				
Beginning of period, as previously reported	54,590,417	43,022,257	29,616,217	22,267,463
Prior period adjustments	61,441	31,130	405,063	(357,315)
Beginning of period, as restated	<u>54,651,858</u>	<u>43,053,387</u>	<u>30,021,280</u>	<u>21,910,148</u>
Increase (Decrease) in reserve for inventory	<u>3,528</u>	<u>(1,511)</u>	<u>11,562</u>	<u>(12,683)</u>
End of Period	<u>\$ 66,794,193</u>	<u>54,590,417</u>	<u>43,022,257</u>	<u>29,616,217</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

Suzanne E. Smith, CPA, PLLC
Certified Public Accountant
P. O. Box 7124 • Meridian, MS 39304

Accounting and Auditing Services
Email: sesmithcpa@msn.com

Telephone: 601-482-8040
Cell: 601-938-5717

Member MSCPA

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*

To the School Board
Wayne County School District

Internal Control Over Financial Reporting

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Wayne County School District's basic financial statements, and have issued our report thereon dated January 3, 2014.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. **(2013-01, 2013-02, 2013-03, 2013-04, and 2013-05)**

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. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. **(2013-06)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

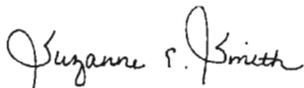
regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such 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*.

Wayne County School District's Response to Findings

Wayne County School District's response to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Wayne County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Suzanne E. Smith, CPA
Meridian, MS

January 3, 2014

Suzanne E. Smith, CPA, PLLC
Certified Public Accountant
P. O. Box 7124 • Meridian, MS 39304

Accounting and Auditing Services
Email: sesmithcpa@msn.com

Telephone: 601-482-8040
Cell: 601-938-5717

Member MSCPA

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the School Board
Wayne County School District

Report on Compliance for Each Major Federal Program

We have audited Wayne 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 Wayne County School District's major federal programs for the year ended June 30, 2013. Wayne 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 Wayne 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 Wayne County School District's compliance with those requirements and performing other such 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 Wayne County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Wayne 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, 2013.

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 items **2013-07, 2013-08, and 2013-09**. Our opinion on each major federal program is not modified with respect to these matters.

Wayne County School District's response to the noncompliance findings identified in our audit are described in the accompany Auditee's Corrective Action Plan. Wayne 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.

Report on Internal Control Over Compliance

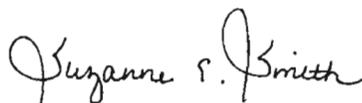
Management of Wayne County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wayne County School District's internal 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 effective of Wayne County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 certain deficiencies in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as items **2013-07, 2013-08, and 2013-09**, that we consider to be significant deficiencies.

Wayne County School District's response to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Wayne 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 our 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.



Suzanne E. Smith, CPA
Meridian, MS

January 3, 2014

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

(This page left blank intentionally)

Suzanne E. Smith, CPA, PLLC
Certified Public Accountant
P. O. Box 7124 • Meridian, MS 39304

Accounting and Auditing Services
Email: sesmithcpa@msn.com

Telephone: 601-482-8040
Cell: 601-938-5717

Member MSCPA

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

Superintendent and School Board
Wayne County School District School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District School District as of and for the year ended June 30, 2013, which collectively comprise Wayne County School District School District's basic financial statements and have issued our report thereon dated January 3, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number **SL2013-01** below. The district reported no classroom supply funds carried over from previous years.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed the following instance of noncompliance related to incorrect or in appropriate functional level expenditure coding. The noncompliance is reported in finding number **SL2013-02** below.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are reported below as Findings **SL2013-03** and **SL2013-04**.

Finding SL2013-01: Education Enhancement Funds for Classroom Materials Allocated to Federally Funded Teachers. Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), sets forth

requirements for the division of Enhancement funds for classroom supplies and materials. These requirements state that Federally funded teachers do not qualify for allocated funds. We noted one (1)

instance where Federally funded teachers were allocated unexpended, unobligated, carryforward monies from the previous year.

Recommendation: The district has expended all carryforward monies as of June 30, 2013. All subsequent allocations will be in the form of a procurement card to be assigned to all non-federally funded teachers and other qualifying personnel in the district. We recommend that the district develop a system that will ensure only non-federally funded teachers and other qualifying personnel in the district receive such procurement cards.

Response: The district will properly identify individuals who qualify for state procurement cards.

Finding SL2013-02: Proper Coding at the Functional Level. Section 37-9-18(3)(b), Miss. Code Ann. (1972), requires school districts to properly code all expenditures at the functional level in accordance with guidelines set forth by the Mississippi Department of Education. Our testing revealed instances where coding at the functional level was not proper in accordance with state guidelines. Audit adjustments were required to restate functional expenditures in the total amount of \$66,582 in the area of payroll expenditures.

Recommendation: We recommend that the district code all expenditures at the functional level in accordance with guidelines set forth by the Mississippi Department of Education. Training in this area will ensure that appropriate coding is used.

Response: The district will begin efforts to train personnel in the use of appropriate functional expenditure codes.

Finding SL2013-03: Budgeting. Section 37-61-19, Miss. Code Ann. (1972), sets forth the guidelines for the development and approval of original and amended school district budgeting procedures. The school district failed to approve a budget that was available in an individual fund format as its original budget. Therefore, a fund by fund original budget was not available. The school district further failed to approve an amended budget by the October 15, 2013, deadline for the year ended June 30, 2013.

Recommendation: We recommend that the district prepare an original budget for each fund and then compile the various fund budgets into an overall budget that can be approved by the school board. The board should approve both the combining and combined budgets. We further recommend that any budget revisions be approved by the October 15 deadline following the end of each fiscal year.

Response: The district will prepare budgets on a fund by fund basis in the future and will also present all amendments to the board before the deadline set forth in state statute.

Finding SL2013-04: Compliance with State Purchasing Laws. Section 31-7-13, Miss. Code Ann. (1972), governs requirements for the purchasing of commodities with public monies. Our testing revealed six (6) instances where competitive quote/bid procedures were not followed when making purchases.

Recommendation: We recommend that the district tighten controls to ensure that all purchases meeting the dollar amount for required competitive quote/bid procedures be subjected to competitive quotes or bids.

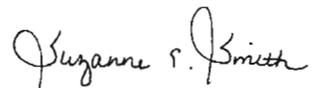
Response: The district will further tighten controls to ensure that State Purchasing Laws are followed.

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

The Wayne County School District's responses to the findings included in this report were not audited

and, accordingly, we express no opinion on them.

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA
Meridian, Mississippi

January 3, 2014

(This page left blank intentionally)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|---|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 84.010 | Title I Cluster |
| | 84.358 | Rural Education |
| | 84.367 | Improving Teacher Quality |
| | 84.027, 84.173 | Special Education Cluster |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? (yes/no) | No |

Section II: Financial Statement Findings

Deficiencies Identified as Material Weaknesses in Internal Controls over Reporting

Finding 2013-01. Deficiencies in Controls Surrounding Cash and Cash Equivalents.

Criteria: The district is responsible for developing and implementing a system of internal accounting controls surrounding cash and cash equivalents and the reconciliation of such assets held in banking institutions with the general ledger on a monthly basis.

Condition: The bank statements for the 2012-2013 year were not completed on a timely basis. In fact, the district was still in the process of reconciling the bank statements five months after fiscal year end June 30, 2013. \$7,654.09 in unreconciled differences remained after the reconciliation process was considered complete.

Cause: The process of reconciling bank statements was not highly prioritized during the 2012-2013 year.

Effect: A failure to perform accurate, timely (monthly) bank reconciliations limits the ability of district management to provide the school board with financial information that can be considered accurate. The school board must then make decisions based on information that may not be complete or accurate.

Recommendation: We recommend that timely, accurate bank reconciliations be performed at the end of each month.

Finding 2013-02. Deficiencies in Controls Surrounding student activity funds.

Criteria: The district is responsible for developing and implementing a system of internal accounting controls surrounding student activity fund expenditures. Such controls should provide assurances that student activity fund expenditures have occurred and are complete; that an obligation existed for each transaction recorded; that the valuation of each transaction is correct; that the classification of each transaction is correct; and that each transaction is properly classified in the correct accounting period.

Condition: A review of the controls in this control cycle revealed twelve (12) instances of requisitions for goods and/or services not being signed by the originator; twelve (12) instances of receiving documentation not being available on file; one (1) instance where purchased equipment was not properly added to the equipment subsidiary ledger; and three (3) instances of incorrect coding of expenditures. Also, the activity fund transmittal for the Vocational Center was not prepared for June 2013.

Cause: The cause of the control deficiencies is likely a lack of training for new personnel and a lack of monitoring of the local school sites by central office.

Effect: Such control deficiencies increase the control risk surrounding student activity fund expenditure transactions.

Recommendation: We recommend that controls be reviewed and strengthened; that personnel at both the central office level and the local school level be trained to recognize and enforce controls; and that central office personnel monitor the controls for compliance.

Finding 2013-03. Donated commodity revenues/expenditures not recorded.

Criteria: Donated commodity revenues in the form of produce and other items received from the Federal government for use in the Child Nutrition Award Cluster should be shown as revenues and related expenditures in the financial accounting records.

Condition: The district failed to record revenues and expenditures associated with the receipt and use of donated commodities in the amount of \$129,392.

Cause: The cause of this failure to record revenues and associated expenditures was likely an oversight.

Effect: Federal revenue was underreported by \$129,392, and related expenditures were underreported by \$129,392. An audit adjustment was proposed, accepted by the district, and posted to the accounting records in order to properly state such revenues and expenditures.

Recommendation: We recommend that the closing journal entry be made each year to capture donated commodity revenues and related expenditures.

Finding 2013-04. Deficiencies in controls surrounding non-payroll expenditures.

Criteria: The district is responsible for developing and implementing a system of internal accounting controls surrounding non-payroll expenditures that will provide assurances that amounts recorded as non-payroll expenditures have occurred and are complete; that an obligation existed for the transactions recorded; that the valuation of each transaction is correct; that the classification of each transaction is correct; and that all transactions are properly classified in the correct accounting period.

Condition: A review of the controls surrounding non-payroll expenditures revealed six (6) instances where a requisition was not available for review; thirty-six (36) instances where a requisition was not signed by the originator; thirty-four (34) instances where the purchase order was dated after the invoice; nineteen (19) instances where receiving documentation was not available to substantiate the receipt of the goods/services; ten (10) instances of incorrect coding at the functional level; and one (1) instance where equipment was not properly added to the subsidiary equipment inventory records.

Cause: The likely cause is a lack of training for new personnel and a lack of monitoring of control systems by central office staff.

Effect: The effect of these control deficiencies increase the control risk surrounding non-payroll expenditures.

Recommendation: We recommend that controls be reviewed and strengthened; that personnel at both the central office level and the local school level be trained to recognize and enforce controls; and that central office personnel monitor the controls for compliance.

Finding 2013-05. Deficiencies in controls surrounding financial accounting records and year-end close.

Criteria: The district is responsible for developing controls surrounding financial accounting records that will ensure that the appropriate transactions are recorded and that the appropriate entries are posted to reflect the accrual basis of accounting for governmental funds.

Condition: Our test work revealed that 1) prior year accruals and deferrals were not always reversed; 2) current year accruals and deferrals were not always booked or recorded properly; 3) state Minimum Adequate Education Program revenues were not recorded in the vocational fund (fund 2711); 3) unrecorded claims payable of \$157,184 existed; 4) unrecorded retainage payable on the WCHS Bleacher Addition in the amount of \$19,534 existed; and 5) interest rebates from the Federal government in the amount of \$159,300 were credited to an interest expenditure account instead of being shown as federal revenues.

Cause: The likely cause of these deficiencies was a change in business managers at the end of the fiscal year.

Effect: The effect of these control deficiencies increases the risk of material misstatement to the financial statements. Audit adjustments were proposed, accepted, and posted to the accounting records in order to properly reflect amounts for the year ended June 30, 2013.

Recommendation: We recommend that new personnel be trained in year-end close procedures in order to strengthen controls in this area.

Deficiencies Identified as Significant Deficiencies in Internal Controls over Reporting

Finding 2013-06. Control deficiencies surrounding student activity fund revenues.

Criteria: Student activity fund transaction transmittals in a decentralized accounting system should be reviewed by central office personnel to check for allowable expenditures and reasonableness of amounts of revenues and other profits on concession sales.

Condition: There is not a timely review of student activity fund transmittals submitted to central office that would serve to identify unallowable or unreasonable expenditures. The district has no standard, independent method for reviewing profits earned on concession sales at the various campuses. Profit margins ranged from 5% to 45%.

Effect: A failure to provide a timely, independent review of student activity fund transmittals by a person knowledgeable of allowable and unallowable student activity fund expenditures can allow for expenditures

to be made that are not allowable or that are unreasonable. Without a standard, independent method for reviewing profits earned on concession sales, the district is not able to determine the reasonableness of deposits made on concession sales.

Cause: The cause of these control deficiencies is likely an oversight of the importance of such independent reviews.

Recommendation: We recommend that the district develop a system for reviewing transactions included in the monthly transmittal packets that will provide a timely determination of any unallowable or questionable expenditures. The school district should also assign a central office employee the responsibility for reviewing and investigating any unexpected profit margins on a quarterly basis for concession sales at the various school campuses.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies in Internal Control over Compliance and Non-Compliance not considered to be Material

Finding 2013-07. Special Education Cluster – Activities allowed/unallowed.

Special Education Cluster

Special education - grants to states (84.027)

Pass-through entity number: none assigned

Award Year: 2012-2013

Federal agency: United States Department of Education

Pass-through entity: Mississippi Department of Education

Criteria: Applicable activities allowed/unallowed. Goods and services purchased using Special Education Cluster program dollars should have allowances for such goods and services provided for in the grant application submitted to and approved by the Mississippi Department of Education.

Condition: The district does not have in place a system of controls over activities paid from the Special Education Cluster of awards that would ensure compliance with the grant agreements applicable to each award within the cluster. The district paid from Special education – grants to states (84.027) award dollars \$27,716 in private school placement costs for a student to attend a private school facility. In fact, the Mississippi Department of Education reimbursed the district \$19,716 of these costs, and the district receipted the reimbursement to the general fund. Only \$8,000 of these costs were approved in the grant application, resulting in an overpayment of \$19,716 from federal award dollars for the cost of this placement.

Questioned Costs: \$19,716

Cause: The likely cause was a mis-coding of expenditures for services for private placement.

Effect: The lack of system controls surrounding allowability of activities paid from federal award Special Education Cluster dollars has resulted in unallowed expenditures being paid from program cluster awards.

Recommendation: We recommend that the district develop a system for tracking program expenditures from the Special Education Cluster of awards that will ensure that only allowed expenditures as outlined in the approved project applications are made.

Finding 2013 -08, Special Education Cluster – Reporting.

Special Education Cluster

Special education – grants to states (84.027)

Special education preschool grants (84.173)

Pass-through entity number: none assigned

Award Year: 2012-2013

Federal agency: United States Department of Education

Pass-through entity: Mississippi Department of Education

Criteria: Reporting. The Mississippi Department of Education requires that a financial report be filed by September 30 following each June 30 fiscal year-end.

Condition: The district did not complete and file a financial report for the Special Education Cluster awards by the September 30, 2013, deadline for the 2012-2013 year.

Questioned Costs: None

Cause: The cause is likely the failure to prioritize the financial reporting requirement.

Effect: The lack of system controls surrounding reporting for the Special Education Cluster awards has resulted in non-compliance with state reporting requirements.

Recommendation: We recommend that the district develop a system for producing and submitting accurate, timely financial reports following each fiscal year-end.

Finding 2013 -09. Title I Cluster – Cash Management.

Title I Cluster

Title I grants to local educational agencies (84.010)

Pass-through entity number: none assigned

Award Year: 2013-2014

Federal agency: United States Department of Education

Pass-through entity: Mississippi Department of Education

Criteria: Cash management compliance requirements require that districts draw down only sufficient amounts of cash to meet immediate cash flow needs.

Condition: The district requested cash in excess of amounts needed to meet immediate cash flow requirements in 10 of the 12 months of the fiscal year ended June 30, 2013. Interest imputed on the excess drawdowns of cash is \$226.30.

Questioned Costs: \$226.30

Cause: The likely cause is the failure of the district to consider the existence of beginning of the year accruals/deferrals.

Effect: The lack of system controls surrounding cash management in the Title I Cluster of awards has resulted in excess cash drawdowns.

Recommendation: We recommend that the district refine its system for requesting drawdowns of Title I Cluster award amounts to hold such drawdowns to amounts sufficient only to satisfy current cash demands.

(This page left blank intentionally)

AUDITEE'S CORRECTIVE ACTION PLAN

(This page left blank intentionally)

WAYNE COUNTY SCHOOL DISTRICT

"Creating a Culture of Learning"

Finding 2013-01. Deficiencies in controls surrounding cash and cash equivalents.

- A. Bank statements will be reconciled monthly and presented to the school board.
- B. Responsible party is Patrick Busby, Business Manager.
- C. Implemented immediately.

Finding 2013-02. Deficiencies in controls surrounding student activity funds.

- A. Financial Clerks will participate in quarterly training to ensure proper procedure is being followed. Central Office will monitor each level to ensure proper documentation is being used throughout the district. Central office will monitor controls in place to ensure compliance.
- B. Responsible party is Patrick Busby, Business Manager, and Accounts Payable, Ginger Perry.
- C. Monitoring and control measures will began immediately.

Finding 2013-03. Donated commodity revenues/expenditures not recorded.

- A. Closing journal entries will be make each year to capture donated commodity revenues and related expenditures.
- B. Responsible party is Patrick Busby, Business Manager.
- C. Implemented immediately.

Finding 2013-04. Deficiencies in controls surrounding non-payroll expenditures.

- A. Central office will began training to ensure the district schools are using the same procedures for expenditures. The district is putting new control measures in place to ensure proper paper work and signatures are given at all levels. Quarterly training with clerks to ensure everyone is using the same system and monitoring for compliance.
- B. Responsible party is Patrick Busby, Business Manager, Accounts Payable, Ginger Perry, and Ben Graves, Superintendent.
- C. Implemented immediately.

Finding 2013-05. Deficiencies surrounding financial accounting record and year-end close.

- A. New personnel will be trained and monitored to ensure a clear understanding of year end close procedures.
- B. Responsible party is Patrick Busby, Business Manager, and Ben Graves, Superintendent.
- C. Responsible party is Patrick Busby, Business Manager, and Ben Graves, Superintendent.

Finding 2013-06. Deficiencies surrounding student activity fund revenues.

- A. The district is establishing standard procedure for student activity funds. Every school will operate on the same scale for profit margins and purchasing items from the same vendor. Profit

WAYNE COUNTY SCHOOL DISTRICT

"Creating a Culture of Learning"

margins will be set the same for each school in the district. Each school will turn in a monthly accountability form for activity funds.

- B. Responsible party is Patrick Busby, Business Manager, and Ben Graves, Superintendent.
- C. Implemented immediately.

Finding 2013-07. Special Education Cluster – Activities allowed/unallowed.

- A. Grants will be coded correctly to ensure proper expenditures. This will allow the district to track expenditures from the Special Education Awards. Grant funds will be used for only approved projects as outlined by the Grant.
- B. Responsible party is Patrick Busby, Business Manager, Tina Harrison, Special Education Director, and Ben Graves, Superintendent.
- C. Implemented immediately.

Finding 2013-08. Special Education cluster – Reporting.

- A. The district will ensure all financial reports are submitted on time and accurate throughout the year. Continuous monitors and update will ensure proper reporting.
- B. Responsible party is Patrick Busby and Tina Harrison, Special Education Director.
- C. Implemented immediately.

Finding 2013-09. Title 1 Cluster – Cash Management

- A. The district has been trained on requesting drawdowns of the correct amounts. Cash drawdowns will be requested monthly based on sufficient amount as needed.
- B. Responsible party is Patrick Busby, Business Manager.
- C. Implemented immediately.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

(This page left blank intentionally)

Ben H. Graves
Superintendent of Education
R.P. Staten
Deputy Superintendent
Sandra Waller
Assistant Superintendent
DeJuan Walley
Assistant Superintendent

WAYNE COUNTY SCHOOL DISTRICT

"Creating a Culture of Learning"

Leah Parson, District 1
Fred Andrews, District 2
George Alsworth, District 3
Al Smith, District 4
Terry Graham, District 5
Marcus Evans, Board Attorney

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

State Legal Compliance Findings

Finding SL2012-A. Education Enhancement Funds for classroom materials not properly allocated.
Disposition – This has been corrected.

Finding SL2012-B. Education Enhancement Funds for classroom materials allocated to federally-funded teachers.

Repeat current year finding at SL2013-01.

Financial Statement Findings

Finding 2012-01. Deficiencies in control surrounding non-payroll expenditures.
Repeat current year finding at 2013-04.

Finding 2012-02. Recording of Federal interest rebate.
Repeat current year finding at 2013-05.

Finding 2012-03. Control deficiencies surrounding student activity funds.
Repeat current year finding at 2013-06.

Finding 2012-04. Weaknesses in controls surrounding capital assets and related expenditures.
Repeat current year finding at 2013-04.

Federal Award Findings and Questioned Costs

Finding 2012-05. Special Education Cluster – Activities allowed/unallowed.
Repeat current year finding at 2013-07.

Finding 2012-06. Rural Education – Activities allowed/unallowed.
Disposition- A written plan for correction of this deficiency has been submitted to the Mississippi Department of Education. This finding is considered corrected.

Finding 2012-07. Special Education Cluster – ARRA Reporting.
Disposition – ARRA funds have been expended. ARRA reporting is no longer required. This finding is considered corrected.

(This page left blank intentionally)