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WAYNE COUNTY SCHOOL DISTRICT

Financial Statements  
For the Year Ended June 30, 2010



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

Superintendent and School Board  
Wayne County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District as of and for the year ended June 30, 2010, which collectively comprise the Wayne County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wayne County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the Wayne County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part

of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Stephen D. Myrick  
Certified Public Accountant

September 30, 2011  
Quitman, Mississippi



WAYNE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion & Analysis  
For the Year Ended June 30, 2010

The discussion and analysis of Wayne County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

## FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$8,604,900, including the effect of a prior period adjustment of (\$335,712), which represents a 29% increase from fiscal year 2009. Total net assets for 2009 increased \$7,027,202, including the effect of a prior period adjustment of \$103,707, which represents a 31% increase from fiscal year 2008.
- General revenues amounted to \$30,472,264 and \$30,464,474, or 77% and 81% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,074,705 or 23% of total revenues for 2010, and \$7,308,322, or 19% of total revenues for 2009.
- The District had \$30,606,357 and \$30,849,301 in expenses for fiscal years 2010 and 2009; only \$9,074,705 for 2010 and \$7,308,322 for 2009 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$30,472,264 for 2010 and \$30,464,474 for 2009 were adequate to provide for these programs.
- Among major funds, the General Fund had \$20,155,817 in revenues and \$20,826,083 in expenditures for 2010, and \$22,425,501 in revenues and \$22,882,220 in expenditures in 2009. The General Fund's fund balance increased by \$112,638, including a prior period adjustment of \$11,587, from 2009 to 2010 and increased by \$364,099, including a prior period adjustment of \$103,707, from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$612,617 for 2010 and decreased by \$460,771 for 2009. The increase in capital assets for 2010 was due primarily to the addition of construction in progress.
- Long-term debt decreased by \$631,895 for 2010 and decreased by \$732,275 for 2009. The decrease in 2010 was due primarily to the repayment of long term debt for the year in accordance with the debt amortization schedules. The liability for compensated absences decreased by \$10,624 for 2010 and increased by \$7,738 for 2009.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities. The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion & Analysis  
For the Year Ended June 30, 2010

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's 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 fund's Balance Sheet and in the governmental fund's 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. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**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.

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

The District adopts an annual operating budget for all governmental funds. Budgetary comparison schedules have been provided for the General Fund and each additional major special revenue fund.

WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion & Analysis  
For the Year Ended June 30, 2010

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.

Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$38,313,304 as of June 30, 2010.

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

Table 1 presents a summary of the District's net assets at June 30, 2010 and June 30, 2009.

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

	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>Percentage Change</b>
Current assets	\$ 3,203,823	\$ 3,567,076	-10.18 %
Restricted assets	28,114,707	20,083,951	39.99 %
Capital assets, net	15,912,117	15,299,500	4.00 %
<b>Total assets</b>	<b>47,230,647</b>	<b>38,950,527</b>	<b>21.26 %</b>
Current liabilities	1,750,574	1,401,299	24.93 %
Long-term debt outstanding	7,166,769	7,840,824	-8.60 %
<b>Total liabilities</b>	<b>8,917,343</b>	<b>9,242,123</b>	<b>-3.51 %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	9,106,589	7,830,541	16.30 %
Restricted	28,422,000	21,047,932	35.03 %
Unrestricted	784,715	829,931	-5.45 %
<b>Total net assets</b>	<b>\$ 38,313,304</b>	<b>\$ 29,708,404</b>	<b>28.96 %</b>

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

- Increase in net capital assets in the amount of \$612,617.
- The principal retirement of \$631,895 of long-term debt.
- The net decrease in compensated absences payable of \$10,624.
- The increase in restricted assets caused by the continuing oil production and related royalty revenues on sixteenth section lands.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$39,546,969 and \$37,772,796, respectively. The total cost of all programs and services was \$30,606,357 for 2010 and \$30,849,301 for 2009.

WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion & Analysis  
For the Year Ended June 30, 2010

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

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

	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Year Ended</u> <u>June 30, 2009</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,503,211	\$ 1,479,990	1.57 %
Operating grants and contributions	6,697,860	5,700,940	17.49 %
Capital grants and contributions	873,634	127,392	585.78 %
General revenues:			
Property taxes	3,400,834	3,312,454	2.67 %
Grants and contributions not restricted	17,692,045	18,514,344	(4.44) %
Investment earnings	1,297,513	831,762	56.00 %
Sixteenth section sources	8,043,563	7,662,449	4.97 %
Other	38,309	143,465	(73.30) %
<b>Total revenues</b>	<u><b>39,546,969</b></u>	<u><b>37,772,796</b></u>	<b>4.70 %</b>
<b>Expenses:</b>			
Instruction	17,806,828	18,374,430	(3.09) %
Support services	10,214,911	9,784,053	4.40 %
Non-instructional	2,047,177	2,214,196	(7.54) %
Sixteenth section	206,938	106,208	94.84 %
Interest	330,503	367,148	(9.98) %
Other	-	3,266	(100.00) %
<b>Total expenses</b>	<u><b>30,606,357</b></u>	<u><b>30,849,301</b></u>	<b>(0.79) %</b>
<b>Increase (Decrease) in net assets</b>	<u><b>8,940,612</b></u>	<u><b>6,923,495</b></u>	<b>29.13 %</b>
<b>Net Assets, July 1, as originally reported</b>	<u><b>29,708,404</b></u>	<u><b>22,681,202</b></u>	<b>30.98 %</b>
<b>Prior Period Adjustment</b>	<u><b>(335,712)</b></u>	<u><b>103,707</b></u>	<b>(423.71) %</b>
<b>Net Assets, July 1, as restated</b>	<u><b>29,372,692</b></u>	<u><b>22,784,909</b></u>	<b>28.91 %</b>
<b>Net Assets, June 30</b>	<u><b>\$ 38,313,304</b></u>	<u><b>\$ 29,708,404</b></u>	<b>28.96 %</b>

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

WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion & Analysis  
For the Year Ended June 30, 2010

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2010</b>	<b>2009</b>	
	\$	\$	
Instruction	17,806,828	18,374,430	(3.09) %
Support services	10,214,911	9,784,053	4.40 %
Non-instructional	2,047,177	2,214,196	(7.54) %
Sixteenth section	206,938	106,208	94.84 %
Interest on long-term liabilities	330,503	367,148	(9.98) %
Other	-	3,266	(100.00) %
<b>Total expenses</b>	<b>\$ 30,606,357</b>	<b>\$ 30,849,301</b>	<b>(0.79) %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2010</b>	<b>2009</b>	
	\$	\$	
Instruction	(13,837,694)	(14,570,693)	(5.03) %
Support services	(7,541,463)	(8,533,586)	(11.63) %
Non-instructional	185,331	(37,126)	(599.19) %
Sixteenth section	(7,323)	(29,160)	(74.89) %
Interest on long-term liabilities	(330,503)	(367,148)	(9.98) %
Other	-	(3,266)	(100.00) %
<b>Total net (expense) revenue</b>	<b>\$ (21,531,652)</b>	<b>\$ (23,540,979)</b>	<b>(8.54) %</b>

- Net cost of governmental activities[\$(21,531,652)for 2010 and \$(23,540,979) for 2009] was financed by general revenue, which is primarily made up of propertytaxes (\$3,400,834 for 2010 and \$3,312,454 for 2009) and state and federal revenues (\$17,692,045 for 2010 and \$18,514,344 for 2009). In addition, there was \$8,043,563 and \$7,662,449in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$1,297,513 for 2010 and \$831,762 for 2009.

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$29,616,217, an increase of \$7,348,754, which includes a prior period adjustment of (\$357,315) and a decrease in inventory of \$12,683. \$1,722,198or 6% of the fund balance represents unreserved and undesignated fund balance, which is available for

WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion & Analysis  
For the Year Ended June 30, 2010

spending at the District's discretion. The remaining fund balance of \$27,894,019 or 94% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$112,638, including a prior period adjustment of \$11,587. This increase was due to careful budgeting by the district in an attempt to increase the fund balance of the General Fund. The fund balance of Other Governmental Funds showed an increase in the amount of \$73,758, which includes the effects of a prior period adjustment of \$10,727 and a decrease in reserve for inventory of \$12,683, due primarily to an excess of revenues over expenditures in the Child Nutrition Fund. The increase (decrease) in the fund balances for the other major funds were as follows:

16th Section Interest Fund	\$	33,441	Increase
16th Section Principal Fund	\$	7,128,917	Increase

### BUDGETARY HIGHLIGHTS

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

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2010, the District's total capital assets were \$25,953,450, 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 \$1,186,168 from 2009. Total accumulated depreciation as of June 30, 2010, was \$10,041,333 and total depreciation expense for the year was \$718,230, resulting in total net capital assets of \$15,912,117.

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 88,257	\$ 88,257	0.00 %
Construction in Progress	1,052,051	127,392	725.84 %
Buildings	11,051,665	11,335,469	(2.50) %
Building improvements	1,892,646	1,989,146	(4.85) %
Improvements other than buildings	123,129	134,652	(8.56) %
Mobile equipment	1,363,325	1,208,203	12.84 %
Furniture and equipment	233,273	262,100	(11.00) %
Leased property under capital lease	107,771	154,281	(30.15) %
<b>Total</b>	<b>\$ <u>15,912,117</u></b>	<b>\$ <u>15,299,500</u></b>	<b>4.00 %</b>

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 & Analysis  
For the Year Ended June 30, 2010

**Debt Administration.** At June 30, 2010, the District had \$6,837,064 in outstanding long-term debt, of which \$627,719 is due within one year. The liability for compensated absences showed a net decrease of \$10,624 from the prior year. Payments on bonds, notes payable, and capital leases payable totaled \$631,895 for the year.

The District enjoys a bond rating of AA-.

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage</u> <u>Change</u>
Limited obligation bonds payable	\$ 4,030,000	\$ 4,455,000	(9.54) %
Three mill notes payable	2,765,000	2,915,000	(5.15) %
Obligations under capital lease	42,064	98,959	(57.49) %
Compensated absences payable	361,241	371,865	(2.86) %
<b>Total</b>	<b>\$ 7,198,305</b>	<b>\$ 7,840,824</b>	<b>(8.19) %</b>

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

#### **CURRENT ISSUES**

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

Enrollment for the 2009-2010 year decreased by 2% to 3,709 students.

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

If you have questions about this report, contact the Superintendent's Office of the Wayne County School District, 810 Chickasawhay Street, Waynesboro, Mississippi 39367.

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

WAYNE COUNTY SCHOOL DISTRICT

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## WAYNE COUNTY SCHOOL DISTRICT

Exhibit A

## Statement of Net Assets

June 30, 2010

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,651,094
Due from other governments	1,332,843
Other receivables, net	39,171
Inventories	12,237
Prepaid items	168,478
Restricted assets	28,114,707
Capital assets, net of accumulated depreciation	15,912,117
Total Assets	47,230,647
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,110,670
Unearned revenue	54,595
Interest payable on long-term liabilities	48,261
Other payables	537,048
Long-term liabilities, due within one year:	
Capital related liabilities, net of unamortized discount	623,777
Non-capital related liabilities	9,031
Long-term liabilities, due beyond one year:	
Capital related liabilities, net of unamortized discount	6,181,751
Non-capital related liabilities	352,210
Total Liabilities	8,917,343
<b>Net Assets</b>	
Invested in capital assets, net of related debt	9,106,589
Restricted net assets:	
Expendable:	
School-based activities	756,957
Debt service	750,749
Forestry escrow	176,277
Unemployment benefits	70,914
Non-expendable:	
Sixteenth section	26,667,103
Unrestricted	784,715
Total Net Assets	\$ 38,313,304

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2010

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 17,806,828	957,006	3,012,128		(13,837,694)
Support services	10,214,911	500	1,799,314	873,634	(7,541,463)
Non-instructional	2,047,177	346,090	1,886,418		185,331
Sixteenth section	206,938	199,615			(7,323)
Interest on long-term liabilities	330,503				(330,503)
Total Governmental Activities	\$ 30,606,357	1,503,211	6,697,860	873,634	(21,531,652)
General Revenues					
Taxes:					
General purpose levies					3,126,557
Debt purpose levies					274,277
Unrestricted grants and contributions:					
State					16,043,330
Federal					1,648,715
Unrestricted investment earnings					1,297,513
Sixteenth section sources					8,043,563
Other					38,309
Total General Revenues					30,472,264
Change in Net Assets					8,940,612
Net Assets - Beginning, as originally reported					29,708,404
Prior Period Adjustments					(335,712)
Net Assets - Beginning, as restated					29,372,692
Net Assets - Ending					\$ 38,313,304

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

WAYNE COUNTY SCHOOL DISTRICT

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## WAYNE COUNTY SCHOOL DISTRICT

Exhibit C

## Balance Sheet - Governmental Funds

June 30, 2010

	Major Funds				
	General	16th Section	16th Section	Other	Total
	Fund	Interest	Principal	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 166,357	576,282	4,781,845	908,455	6,432,939
Cash with fiscal agent			1,840,612		1,840,612
Investments			20,747,392	447,264	21,194,656
Due from other governments	352,700			1,277,737	1,630,437
Due from other funds	2,315,165	9,940		165,588	2,490,693
Advances to other funds			751,256		751,256
Other receivables	32				32
Inventories				12,237	12,237
Prepaid items	168,478				168,478
Total assets	3,002,732	586,222	28,121,105	2,811,281	34,521,340
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	745,673			364,997	1,110,670
Due to other funds	183,749	445,251	1,044,555	796,634	2,470,189
Advances from other funds	751,256				751,256
Unearned revenue	150	30,155		24,290	54,595
Retainage payable				31,586	31,586
Other payables	7,470	21,494	409,447	48,416	486,827
Total Liabilities	1,688,298	496,900	1,454,002	1,265,923	4,905,123
<b>Fund Balances:</b>					
Reserved for:					
Advances			751,256		751,256
Inventory				12,237	12,237
Prepaid items	168,478				168,478
Debt service				799,010	799,010
Forestry improvement purposes				176,277	176,277
Unemployment benefits				70,914	70,914
Permanent fund purposes			25,915,847		25,915,847
Unreserved:					
Undesignated, reported in:					
General Fund	1,145,956				1,145,956
Special Revenue Funds		89,322		486,920	576,242
Total Fund Balances	1,314,434	89,322	26,667,103	1,545,358	29,616,217
Total Liabilities and Fund Balances	\$ 3,002,732	586,222	28,121,105	2,811,281	34,521,340

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

WAYNE COUNTY SCHOOL DISTRICT

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## WAYNE COUNTY SCHOOL DISTRICT

Exhibit C-1

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2010

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 29,616,217
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$10,041,333.	15,912,117
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,198,305)
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues.	(48,261)
4. Bond discounts are recognized as other financing uses in the funds but are capitalized and amortized over the life of the issuance in the government-wide statements.	31,536
Total Net Assets - Governmental Activities	\$ <u>38,313,304</u>

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

WAYNE COUNTY SCHOOL DISTRICT

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## WAYNE COUNTY SCHOOL DISTRICT

Exhibit D

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

## Governmental Funds

For the Year Ended June 30, 2010

	Major Funds				Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 4,129,797			635,115	4,764,912
State sources	15,604,082			1,170,982	16,775,064
Federal sources	421,938			8,067,166	8,489,104
Sixteenth section sources		1,220,185	8,045,551	232,617	9,498,353
Total Revenues	20,155,817	1,220,185	8,045,551	10,105,880	39,527,433
<b>Expenditures:</b>					
Instruction	12,708,165			5,091,853	17,800,018
Support services	7,982,081			1,933,947	9,916,028
Noninstructional services	60,805			1,956,361	2,017,166
Sixteenth section		21,493	24,094	161,351	206,938
Facilities acquisition and construction				924,659	924,659
Debt service:					
Principal	42,998			588,897	631,895
Interest	32,034			299,479	331,513
Total Expenditures	20,826,083	21,493	24,094	10,956,547	31,828,217
Excess (Deficiency) of Revenues over (under) Expenditures	(670,266)	1,198,692	8,021,457	(850,667)	7,699,216
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	16,131				16,131
Sale of assets	3,405				3,405
Operating transfers in	2,053,684			1,301,903	3,355,587
Operating transfers out	(1,301,903)	(1,165,251)	(512,911)	(375,522)	(3,355,587)
Total Other Financing Sources (Uses)	771,317	(1,165,251)	(512,911)	926,381	19,536
Net Change in Fund Balances	101,051	33,441	7,508,546	75,714	7,718,752
<b>Fund Balances:</b>					
July 1, 2009, as originally presented	1,201,796	55,881	19,538,186	1,471,600	22,267,463
Prior period adjustments	11,587		(379,629)	10,727	(357,315)
July 1, 2009, restated	1,213,383	55,881	19,158,557	1,482,327	21,910,148
Increase (Decrease) in reserve for inventory				(12,683)	(12,683)
June 30, 2010	\$ 1,314,434	89,322	26,667,103	1,545,358	29,616,217

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

WAYNE COUNTY SCHOOL DISTRICT

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## WAYNE COUNTY SCHOOL DISTRICT

Exhibit D-1

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, 2010

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 7,718,752
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,320,641 and the depreciation expense amounted to \$718,230.	602,411
2. The repayment of the principal on long-term debt and payments to refunded bond escrow agents consumes current financial resources of governmental funds but has no effect on net assets.	631,895
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	4,952
4. The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	(11,397)
5. A decrease in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are increased in the Statement of Activities.	(12,683)
6. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	10,624
7. The unamortized bond discount is capitalized and amortized over the life of the outstanding bonds in the government-wide statements but is recognized as an other financing use in the year of debt issuance in the governmental funds.	(3,942)
Change in Net Assets of Governmental Activities	\$ <u>8,940,612</u>

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2010

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 111,903
Due from other funds	<u>18,635</u>
Total Assets	<u>130,538</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	8,032
Due to other funds	39,139
Due to student clubs	<u>83,367</u>
Total Liabilities	<u>\$ 130,538</u>

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

(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. Basis of Presentation

Government-wide Financial Statements:

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

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

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

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

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

*Fund Financial Statements:*

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

The School District reports the following major governmental funds:

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

16<sup>th</sup> Section Interest Fund – This special revenue fund accounts for the expendable revenues associated with earnings on sixteenth section lands.

16<sup>th</sup> Section Principal Fund - This permanent fund accounts for the non-expendable revenues associated with earnings on sixteenth section lands and the investment earnings on these non-expendable revenues.

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 fund is used as a clearing fund for the payroll function.

Accounts Payable Clearing Fund – This fund is used as a clearing fund for non-payroll expenditure functions.

Student Club Accounts – These funds are used to account for the assets held for the benefit of student clubs.

Additionally, the School District reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

The effect of 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.

WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2010

D. Account Classifications

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

E. Encumbrances

An encumbrance system is maintained to account for commitments 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 as reservations of fund balances.

F. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the District are reported at fair market value.

2. Inter-fund 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.

# WAYNE COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2010

### 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

### 5. Restricted Assets

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

### 6. Capital Assets

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

Capital acquisition and construction are reflected as expenditures in the governmental fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. Depreciation is calculated on the straight-line basis for all assets, except land.

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.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

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.

9. Fund equity

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated. Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the District:

Reserved for advances – An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

Reserved for prepaid items – An account used to offset prepaid expenditures recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

Reserved for forestry improvement purposes – An account that represents a portion of the



WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2010

fund balance that is legally restricted for improving sixteenth section forest lands.

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

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

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

(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.

**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 depositor 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 \$6,432,939 and \$111,903, respectively. The bank balance was \$8,444,264.

**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

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

the Mississippi State Treasurer on behalf of the District. As of June 30, 2010, none of the District's bank balance 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 \$1,840,612.

**Investments**

As of June 30, 2010, the District had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Funds	Less than 1 year	\$ 447,264	AAAm
U.S. Government Securities	6 to 10 years	2,252,611	AAA
U.S. Government Agency Bonds	6 to 10 years	7,869,412	AAA
U.S. Government Agency Bonds	11 to 15 years	1,327,676	AAA
U.S. Government Agency Bonds	16 to 20 years	1,355,781	AAA
U.S. Government Agency Bonds	26 to 30 years	7,941,912	AAA
Total Investments		\$ <u>21,194,656</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. As of June 30, 2010, the District did not have any investments to which custodial credit risk would apply.

**Concentration of Credit Risk.** Disclosures of investments by amount and issuer for any issue representing five percent or more of total investments is required. This requirement does not apply to investments

issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

# WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2010

## (3) Inter-fund Receivables, Payables and Transfers

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

### A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	16th Section Interest Fund	\$ 445,251
	16th Section Principal Fund	1,044,555
	Other Governmental Funds	786,694
	Agency Funds	38,665
16th Section Interest Fund	Other Governmental Funds	9,940
Other Governmental Funds	General Fund	165,114
	Agency Funds	474
Agency Funds	General Fund	18,635
Total		<u>\$ 2,509,328</u>

The purpose of the interfund balances was to eliminate deficit cash balances in certain funds caused by federal award program cash flows, to show the effects of interfund transfers between funds, and to show interest earned in the agency funds and due to the General Fund at June 30, 2010.

### B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
16th Section Principal Fund	General Fund	<u>\$ 751,256</u>

Advances to/from other funds represent loans from the 16<sup>th</sup> Section Principal Fund to the General Fund in accordance with Section 29-3-113, Miss. Code Ann. (1972). The advances were loaned to finance building improvement projects. The interfund balances are also referred to as sixteenth section principal loans payable and bear interest at four (4) percent per year.

The following is a schedule by years of the total payments due on these interfund advances.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	302,258	30,048	332,306
2012	125,650	37,329	162,979
2013	97,078	15,788	112,866
2014	28,647	9,051	37,698
2015	29,793	7,905	37,698
2016-2020	167,830	20,666	188,496
	<u>751,256</u>	<u>120,787</u>	<u>872,043</u>

C. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	16th Section Interest Fund	\$ 1,165,251
	16th Section Principal Fund	512,911
	Other governmental funds	375,522
Other governmental funds	General Fund	1,301,903
Total		\$ <u>3,355,587</u>

The transfers constitute transfers of indirect costs from Special Revenue funds to the General Fund and operating transfers between governmental funds and the permanent fund and the General Fund.

(4) Restricted Assets

The restricted assets represent the cash and cash equivalents balance, totaling \$4,781,845, the cash with fiscal agents balance, totaling \$1,840,612, and the investment balance, totaling 20,747,392 of the 16<sup>th</sup> Section Principal Fund (Permanent Fund) and investments and amounts due from other governments of \$447,264 and \$297,594, respectively, of the MAEP Debt Service Fund, which are legally restricted and may not be used for the support of the District's programs. The total amount of restricted assets is \$28,114,707.

(5) Capital Assets

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

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

	Balance 07/01/2009	Additions	Retirements	Adjustments	Balance 06/30/2010
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	88,257				88,257
Construction in progress	127,392	924,659			1,052,051
Total non-depreciable capital assets	\$ 215,649	924,659	-	-	1,140,308
<u>Depreciable capital assets:</u>					
Buildings	16,799,631				16,799,631
Building improvements	2,630,875				2,630,875
Improvements other than buildings	288,072				288,072
Mobile equipment	3,333,437	363,432	113,225	(9,500)	3,574,144
Furniture and equipment	783,728	32,550	7,481	(4,267)	804,530
Leased property under capital lease	715,890				715,890
Total depreciable capital assets	24,551,633	395,982	120,706	(13,767)	24,813,142
<u>Less accumulated depreciation for:</u>					
Buildings	5,464,162	294,947		(11,143)	5,747,966
Building improvements	641,729	96,500			738,229
Improvements other than buildings	153,420	11,523			164,943
Mobile equipment	2,125,234	196,038	101,903	(8,550)	2,210,819
Furniture and equipment	521,628	72,712	7,406	(15,677)	571,257
Leased property under capital lease	561,609	46,510			608,119
Total accumulated depreciation	9,467,782	718,230	109,309	(35,370)	10,041,333
Total depreciable capital assets, net	15,083,851	(322,248)	11,397	21,603	14,771,809
Governmental activities capital assets, net	\$ 15,299,500	602,411	11,397	21,603	15,912,117

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	<u>Amount</u>
Instruction	\$ 13,395
Support Services	689,945
Non-instructional	14,890
	\$ 718,230

Commitments under construction contracts at June 30, 2010, are summarized as follows:

	<u>Spent to June 30, 2010</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Storm Shelters	\$ 1,052,051	6,862,098

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

The remaining commitment on this project will be funded through future revenues of the Hazard Mitigation Grant, CFDA# 97.039. The School District has committed future General Fund revenues of \$343,105 to be used in the construction of storm shelters throughout the district. The match may include in-kind contributions and is equal to five percent (5%) of the estimated total cost of the project of \$7,914,149. Because of the nature of funding of the project, no reserves for construction commitments are shown on the governmental funds balance sheet.

(6) Long-term Liabilities

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

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Amounts due within one year
A. Limited obligation bonds payable	\$ 4,455,000		425,000	4,030,000	440,000
B. Three mill notes payable	2,915,000		150,000	2,765,000	160,000
C. Obligation under capital leases	98,959		56,895	42,064	27,719
D. Compensated absences payable	371,865		10,624	361,241	9,031
Subtotal	7,840,824		642,519	7,198,305	636,750
Less: Unamortized Bond Discount	(35,478)		(3,942)	(31,536)	(3,942)
Total	\$ 7,805,346	-	638,577	7,166,769	632,808

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding series 2007	3.70 - 3.86%	27-Feb-07	01-Nov-17	\$ 4,555,000	4,030,000

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 the Year Ended June 30, 2010

Year Ending June 30		Principal	Interest	Total
2011	\$	440,000	144,010	584,010
2012		455,000	127,407	582,407
2013		475,000	110,061	585,061
2014		490,000	91,966	581,966
2015		515,000	73,021	588,021
2016-2020		1,655,000	96,793	1,751,793
Total	\$	<u>4,030,000</u>	<u>643,258</u>	<u>4,673,258</u>

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 February 7, 2007. 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 four (4) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$4,673,258. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were \$585,012, and \$15,295,254, respectively.

B. Three mill notes payable

Three mill note debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2003	4.70%	14-May-03	01-May-23	\$ <u>3,700,000</u>	<u>2,765,000</u>

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 the Year Ended June 30, 2010

Year Ending June 30	Principal	Interest	Total
2011	\$ 160,000	130,573	290,573
2012	170,000	122,893	292,893
2013	175,000	115,668	290,668
2014	180,000	108,055	288,055
2015	190,000	100,045	290,045
2016-2020	1,100,000	357,600	1,457,600
2021-2025	790,000	78,645	868,645
Total	\$ <u>2,765,000</u>	<u>1,013,479</u>	<u>3,778,479</u>

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

C. Obligations under Capital Lease

The School District has entered into four lease agreements that qualify as capital leases for accounting purposes. The details of leased property under these leases are as follows:

1. Waynesboro Middle School kitchen equipment at a cost of \$97,917.
2. Wayne County Vocational/Technical Center energy efficiency and management equipment at a cost of \$232,857.
3. Beat Four Elementary School, Wayne County High School, Clara Elementary School, and Waynesboro Middle School energy efficiency and management equipment at a cost of \$161,410.
4. Wayne County Vocational/Technical Center HVAC, electrical and control system at a cost of \$223,706.

The various options available to the District for these leases are as follows:

- Upon final payment, the asset titles pass to the School District.
- Upon written notice to the lessor, the School District has the option of prepaying the remaining principal amounts in the lease agreement. Asset titles pass to the School District at the time of the prepayment.

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 the Year Ended June 30, 2010

Year Ending June 30	Principal	Interest	Total
2011	\$ 27,719	1,637	29,356
2012	14,345	334	14,679
Total	\$ 42,064	1,971	44,035

D. Compensated absences payable

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

(7) Prior Year Defeasance of Debt

In prior years, the Wayne County School District defeased certain limited obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2010, \$3,535,000 of bonds outstanding are defeased.

(8) Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$2,071,325, \$2,097,863, and \$2,053,215, respectively, which equaled the required contributions for each year.

(9) Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising 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.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

Year Ending June 30	Amount
2011	\$ 19,857
2012	15,272
2013	13,338
2014	12,316
2015	10,386
2016 – 2020	48,100
Total	\$ <u>119,269</u>

(10) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

Explanation(s)	Amount
Error in recording prior year asset or liability	\$ (357,315)
Error in recording capital assets and related depreciation expense	21,603
	\$ <u>(335,712)</u>

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

Fund	Explanation(s)	Amount
General Fund	Error in recording prior year asset or liability	\$ 11,587
16th Section Principal Fund	Error in recording prior year asset or liability	(379,629)
Other governmental funds	Error in recording prior year asset or liability	10,727
		\$ <u>(357,315)</u>

(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.

Shared sixteenth section revenues – The School District has not been sharing oil revenues on one producing oil well with a neighboring district. The School District has estimated and booked amounts due the other district for the last ten years. The District has asked the Secretary of State to review the amounts owed before payment is made to the neighboring district.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

(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 fiscal years.

(13) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net asset date require disclosure in the accompanying notes. Management of the Wayne County School District evaluated the activity of the district through September 30, 2011, and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements.

On November 1, 2010, the School Board authorized a resolution authorizing and directing the issuance of notes of Qualified School Construction Bonds of the Wayne County School District in the maximum aggregate of \$3,000,000 to build new cafeterias at Clara Attendance Center, Buckatunna Attendance Center, Beat Four Attendance Center, and Wayne County High School and to make other improvements. On May 5, 2011, the board accepted the low bid of \$3,086,000 to proceed with these improvements.

(14) Other Matters

The governmental funds financial statements show the general funds of the district in a single column with the heading *General Fund*. The District Maintenance Fund is the general operating fund of the District and is combined with other general funds, including student activity funds, for financial statement presentation. The fund balance of the District Maintenance Fund was \$1,043,974 at June 30, 2010. This fund balance expressed as a percentage is 5.4 percent of the revenues of that fund for the year ended June 30, 2010. The June 30, 2010, fund balance of the District Maintenance Fund is inadequate to meet the seven (7) percent recommended by the Mississippi Department of Education for the District Maintenance Fund. The possibility of future year state budget cuts further add to the uncertainty surrounding the general operating fund's level of unreserved/undesignated fund balance.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

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WAYNE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,138,275	4,013,135	4,129,797	(125,140)	116,662
State sources	17,535,625	15,604,180	15,604,082	(1,931,445)	(98)
Federal sources	215,000	359,988	421,938	144,988	61,950
Total Revenues	21,888,900	19,977,303	20,155,817	(1,911,597)	178,514
<b>Expenditures:</b>					
Instruction	14,071,260	12,708,165	12,708,165	1,363,095	0
Support services	7,641,020	7,982,757	7,982,081	(341,737)	676
Noninstructional services	0	60,805	60,805	(60,805)	0
Debt service:					
Principal	303,040	42,998	42,998	260,042	0
Interest	32,035	32,034	32,034	1	0
Total Expenditures	22,047,355	20,826,759	20,826,083	1,220,596	676
Excess (Deficiency) of Revenues over (under) Expenditures	(158,455)	(849,456)	(670,266)	(691,001)	179,190
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	0	16,131	16,131	16,131	0
Sale of assets	0	3,405	3,405	3,405	0
Operating transfers in	3,847,005	5,087,433	2,053,684	1,240,428	(3,033,749)
Operating transfers out	(3,731,000)	(4,331,243)	(1,301,903)	(600,243)	3,029,340
Total Other Financing Sources (Uses)	116,005	775,726	771,317	659,721	(4,409)
Net Change in Fund Balances	(42,450)	(73,730)	101,051	(31,280)	174,781
<b>Fund Balances:</b>					
July 1, 2009, as originally presented	1,201,796	1,201,796	1,201,796	0	0
Prior period adjustments	0		11,587	0	11,587
July 1, 2009, as restated	1,201,796	1,201,796	1,213,383	0	11,587
June 30, 2010	\$ 1,159,346	1,128,066	1,314,434	(31,280)	186,368

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

WAYNE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 16th Section Interest Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 498,000	1,220,185	1,220,185	722,185	0
Total Revenues	498,000	1,220,185	1,220,185	722,185	0
<b>Expenditures:</b>					
Sixteenth section	0	0	21,493	0	(21,493)
Total Expenditures	0	0	21,493	0	(21,493)
Excess (Deficiency) of Revenues over (under) Expenditures	498,000	1,220,185	1,198,692	722,185	(21,493)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out		(1,165,251)	(1,165,251)	(1,165,251)	0
Total Other Financing Sources/Uses	0	(1,165,251)	(1,165,251)	(1,165,251)	0
Net Change in Fund Balances	498,000	54,934	33,441	(443,066)	(21,493)
<b>Fund Balances:</b>					
July 1, 2009	55,881	55,881	55,881	0	0
June 30, 2010	\$ 553,881	110,815	89,322	(443,066)	(21,493)

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

## WAYNE COUNTY SCHOOL DISTRICT

### Notes to the Required Supplemental Information For the Year Ended June 30, 2010

#### Budgetary Comparison Schedule

##### (1) Basis of Presentation

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

##### (2) Budget Amendments and Revision

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.

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 632,851
National school lunch program	10.555	1,408,605
Total child nutrition cluster		<u>2,041,456</u>
Passed-through Wayne County:		
Schools and roads - grants to states	10.665	259,389
<b>Total U.S. Department of Agriculture</b>		<u>2,300,845</u>
<b><u>U.S. Department of Defense</u></b>		
Direct programs:		
Reserve officers' training corps	12.XXX	39,661
<b>Total U.S. Department of Defense</b>		<u>39,661</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	122,888
<b>Total Federal Communications Commission</b>		<u>122,888</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I, Part A Cluster:		
Title I grants to local educational agencies	84.010	1,398,008
ARRA - Title I grants to local educational agencies	84.389	842,452
Total Title I, Part A Cluster		<u>2,240,460</u>
Career and technical education - basic grants to states	84.048	56,277
Safe and drug-free schools and communities- state grants	84.184	21,913
Education technology state grants	84.318	13,304
Rural education	84.358	20,867
Improving teacher quality - state grants	84.367	377,277
Subtotal		<u>489,638</u>
Special education cluster:		
Special education - grants to states	84.027	688,870
Special education - preschool grants	84.173	59,042
ARRA - Special education - grants to states	84.391	485,803
ARRA - Special education - preschool grants	84.392	26,504
Total special education cluster		<u>1,260,219</u>
State Fiscal Stabilization Fund Cluster:		
ARRA - State fiscal stabilization fund (SFSF) - education state grants	84.394	1,266,438
Total State Fiscal Stabilization Fund Cluster		<u>1,266,438</u>
<b>Total U.S. Department of Education</b>		<u>5,256,755</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed-through Mississippi Emergency Management Agency:		
Hazard Mitigation Grant	97.039	924,659
<b>Total U.S. Department of Homeland Security</b>		<u>924,659</u>
Total for All Federal Awards		\$ <u>8,644,808</u>

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For Year Ended June 30, 2010

Notes to the 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

## Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds For Year Ended June 30, 2010

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 23,168,485	17,438,669	980,661	1,439,488	3,309,667
Other	8,659,732	1,940,716	296,619	43,596	6,378,801
Total	<u>31,828,217</u>	<u>19,379,385</u>	<u>1,277,280</u>	<u>1,483,084</u>	<u>9,688,468</u>
Total number of students*	<u>3,709</u>				
Cost per student	\$ <u>8,581</u>	<u>5,225</u>	<u>344</u>	<u>400</u>	<u>2,612</u>

### NOTES TO SCHEDULE

1. 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.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

\*- 9<sup>th</sup> month enrollment figure

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
OTHER SUPPLEMENTAL INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

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## WAYNE COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

## General Fund

## Last Four Years

	2010	2009*	2008*	2007*
<b>Revenues:</b>				
Local sources	\$ 4,129,797	4,325,441	4,137,504	4,448,716
State sources	15,604,082	17,671,134	17,429,842	16,996,348
Federal sources	421,938	428,926	478,267	646,298
Total Revenues	<u>20,155,817</u>	<u>22,425,501</u>	<u>22,045,613</u>	<u>22,091,362</u>
<b>Expenditures:</b>				
Instruction	12,708,165	14,672,245	14,975,639	14,265,987
Support services	7,982,081	8,016,695	7,834,195	6,760,165
Non-instructional services	60,805	71,040	77,931	129,037
Sixteenth section				
Facilities acquisition and construction			25,886	203,571
Debt service:				
Principal	42,998	75,584	66,059	63,204
Interest	32,034	46,656	57,001	70,840
Total Expenditures	<u>20,826,083</u>	<u>22,882,220</u>	<u>23,036,711</u>	<u>21,492,804</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(670,266)</u>	<u>(456,719)</u>	<u>(991,098)</u>	<u>598,558</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	16,131	22,280	2,871	55,795
Sale of property	3,405	12,842	2,300	759
Operating transfers in	2,053,684	1,779,844	1,746,034	857,525
Other financing sources			8,968	
Operating transfers out	(1,301,903)	(1,097,855)	(1,189,086)	(1,390,272)
Total Other Financing Sources (Uses)	<u>771,317</u>	<u>717,111</u>	<u>571,087</u>	<u>(476,193)</u>
Net Change in Fund Balances	<u>101,051</u>	<u>260,392</u>	<u>(420,011)</u>	<u>122,365</u>
<b>Fund Balances:</b>				
Beginning of Period, as originally reported	1,201,796	837,697	1,257,708	975,949
Prior period adjustments	11,587	103,707		159,394
Beginning of Period, as restated	<u>1,213,383</u>	<u>941,404</u>	<u>1,257,708</u>	<u>1,135,343</u>
End of Period	<u>\$ 1,314,434</u>	<u>1,201,796</u>	<u>837,697</u>	<u>1,257,708</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## WAYNE COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

## All Governmental Funds

## Last Four Years

	2010	2009*	2008*	2007*
<b>Revenues:</b>				
Local sources	\$ 4,764,912	4,895,750	4,838,759	5,228,028
State sources	16,775,064	18,898,166	18,660,134	18,360,166
Federal sources	8,489,104	5,444,462	5,745,622	4,998,178
Sixteenth section sources	9,498,353	8,472,456	10,089,900	1,725,173
Total Revenues	39,527,433	37,710,834	39,334,415	30,311,545
<b>Expenditures:</b>				
Instruction	17,800,018	18,330,353	18,616,857	17,540,846
Support services	9,916,028	9,229,700	9,544,624	8,028,999
Noninstructional services	2,017,166	2,206,111	2,150,161	2,298,597
Sixteenth section	206,938	106,208	81,378	82,661
Facilities acquisition and construction	924,659	127,392	25,886	516,616
Debt service:				
Principal	631,895	732,275	625,226	599,766
Interest	331,513	367,877	408,871	480,177
Other		3,266	3,358	82,865
Total Expenditures	31,828,217	31,103,182	31,456,361	29,630,527
Excess (Deficiency) of Revenues over (under) Expenditures	7,699,216	6,607,652	7,878,054	681,018
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds				4,555,000
Insurance loss recoveries	16,131	49,120	2,871	55,795
Sale of property	3,405	12,842	3,076	759
Operating transfers in	3,355,587	2,877,700	2,935,120	2,735,898
Other financing sources			8,968	
Operating transfers out	(3,355,587)	(2,877,700)	(2,935,120)	(2,735,898)
Payment to refunded bond escrow agent				(4,350,000)
Discount on refunding bonds				(47,304)
Other financing uses			(6,028)	
Total Other Financing Sources (Uses)	19,536	61,962	8,887	214,250
Net Change in Fund Balances	7,718,752	6,669,614	7,886,941	895,268
<b>Fund Balances:</b>				
Beginning of period, as originally reported	22,267,463	15,504,757	7,633,103	6,579,316
Prior period adjustments	(357,315)	103,707	0	159,394
Beginning of period, as restated	21,910,148	15,608,464	7,633,103	6,738,710
Increase (Decrease) in reserve for inventory	(12,683)	(10,615)	(15,287)	(875)
End of Period	\$ 29,616,217	22,267,463	15,504,757	7,633,103

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

WAYNE COUNTY SCHOOL DISTRICT

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# Stephen D. Myrick C.P.A., L.L.C.

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

Superintendent and School Board  
Wayne County School District

We have audited 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, 2010, which collectively comprise Wayne County School District's basic financial statements and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses would be identified.

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 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. (Finding 2010-01).

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. (Findings 2010-02 and 2010-03).

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2010-01.

We also noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated September 30, 2011, which is included in this report.

Wayne County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Wayne County School District's response and, accordingly, we express no opinion on it.

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



Stephen D. Myrick  
Certified Public Accountant

September 30, 2011  
Quitman, Mississippi

# Stephen D. Myrick C.P.A., L.L.C.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Wayne County School District

### Compliance

We have audited the compliance of the Wayne County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Wayne County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 Findings 2010-04, 2010-05, 2010-06, 2010-07, 2010-08, 2010-09, and 2010-10.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant

deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2010-04 and 2010-05 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2010-06, 2010-07, 2010-08, 2010-09, and 2010-10 to be significant deficiencies.

Wayne County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Wayne County School District's responses and, accordingly, we express no opinion on them.

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



Stephen D. Myrick  
Certified Public Accountant

September 30, 2011  
Quitman, Mississippi



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

WAYNE COUNTY SCHOOL DISTRICT  
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# **Stephen D. Myrick C.P.A., L.L.C.**

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

Superintendent and School Board  
Wayne County 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 as of and for the year ended June 30, 2010, which collectively comprise Wayne County School District's basic financial statements and have issued our report thereon dated September 30, 2011. 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 SL2010-A. The district reported \$156,079 of classroom supply funds carried over from previous years.

### **Reporting Finding: SL2010-A**

#### **Finding:**

The School District did not divide educational enhancement funds restricted for instructional supplies and materials in the manner intended by law. Carry forward monies of \$156,079 were not allocated to teachers in equal amounts to be expended during the 2009-2010 year. Instead, the district allocated the new annual allocation only.

#### **Recommendation:**

We recommend that the district allocate, at the beginning of each school year, all carry forward educational enhancement funds restricted for instructional supplies that are not approved in teacher spending plans and new revenue allocations of these restricted funds to all qualifying teachers in the school district. The district should not hold back carry forward funds that were unexpended and are not being held in approved teacher spending plans.

#### **District Response:**

We took the current fiscal year's allotment from the state and allocated it to the teachers in accordance with the state's regulations. In additions, the teachers agreed to a plan to spend the funds held over since 2000-01 on computers at Wayne County High School, which absorbed \$72,240 of the carryover. We did not accomplish the complete depletion of the beginning fund balance of \$156,079, but we were able to reduce it to an unencumbered total of \$62,288 at June 30, 2010. We further reduced it in fiscal year 2010-11 to \$38,800. We will make a concerted effort during the 2011-12 year to bring the unencumbered fund balance down to zero at year end.

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 inappropriate functional level expenditure coding. The noncompliance is reported in finding number SL2010-B.

**Report Finding: SL2010-B**

**Finding:**

Certain payroll expenditures were coded to reflect instructional expenditures instead of administrative or support expenditures. The details of our substantive testing of payroll expenditures revealed that the district miscoded three individuals for payroll reporting purposes during the 2009-2010 year. One individual served as the Assistant Title I director for the first half of the year. A second individual served as the Assistant Special Education Director for the 2009-2010 year. In both instances, the individuals were charged to instructional functions when their job duties and titles were for administrative support services. These amounts were reclassified from instructional expenditures to support expenditures as a part of the audit process. The total amounts requiring reclassification were \$117,144. A third employee, a student support secretary, was incorrectly coded to an instructional function. The miscoding appears to occur when individuals change jobs and move from one area to another. While the correct funds are being applied to the account distributions, the functional codes are not being updated.

**Recommendation:**

We recommend that the district review all payroll account distributions annually. We further recommend that payroll account distributions be reviewed and updated when employees change from one job function to another job function. This will ensure that the district utilizes correct functional coding for all funds.

**District Response:**

We will initiate a formal review of all payroll distributions in early August each year, with subsequent reviews by the Payroll accountant and the Business Manager in the event of any job assignment changes.

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 instances of noncompliance described in Finding 2010-01 in the Schedule of Findings and Questioned Costs and the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

**Report Finding SL2010-C**

**Finding:**

Section 37-6-15, Mississippi Code Ann. (1972) requires that all school board members be bonded in a penal sum in an amount at least \$50,000. Section 37-9-31, Mississippi Code Ann. (1972) governs bonding requirements for school principals and mandates that principals be bonded in the amount of at least \$50,000. The principal bond amount was increased from \$25,000 effective July 1, 2009. A review of active bonds for the 2009-2010 year revealed that one board member was not bonded for the 2009-2010 year. This board member filled the unexpired term of her deceased spouse. Principals were not bonded in the increased amount but were bonded at the \$25,000 limit. Both instances of non-compliance were an oversight by district administration. The board member has since left the school board, and principals' bonds have been increased to the required \$50,000 amount.

Recommendation:

All board members should be bonded immediately upon taking office, even when the board member is filling an unexpired term. Bond amounts for principals and other employees should be reviewed annually for proper terms and amount.

District Response:

We will make every effort to comply with the bonding requirements for board members and principals.

**Report Finding SL2010-D**

Finding:

Section 29-3-117, Mississippi Code Ann. (1972) requires that the board approve all transfers of expendable revenues and interest earnings made from Sixteenth Section Funds to the governmental funds. The School District included the transfers of expendable revenues and interest earnings of the Sixteenth Section Interest Fund on the Schedule of Transfers, which was included as a part of the financial report made to the board each month. The school board approved the financial report each month. There was no separate action or vote for the individual transfers made from the Sixteenth Section Interest Fund. One transfer in the amount of \$45,000 was not included on the schedule of transfers and was thus not approved by the board.

Recommendation:

We recommend that any transfer from the sixteenth section funds of expendable revenues, including interest income, be made only after a formal action of the school board authorizes the transfer. While the district may continue to include the transfer amounts in the financial report of the district, a formal board action should be recorded and the votes of individual board members included in the official board minutes authorizing the transfer.

District Response:

We will make sure in the future that all such transfers are board approved before the physical transfer is made. We were operating under the instruction that such transfers were already board approved because they were part of the budgeted transfers approved in the budget approval process.

The \$45,000 transfer mentioned was made on the books at June 30, 2010, along with a transfer of \$400,251.39 of other Sixteenth Section earnings. These were only journal entries to put the earnings in their proper fund for financial statement purposes. The actual transfer of cash from the Sixteenth Section Interest Fund bank account to the District Maintenance bank account was made on September 8, 2010, and it was for \$395,251.39, leaving \$50,000 in the Sixteenth Section Interest account, but still due to the District Maintenance Fund. The form, which is included in the financial statements and which details transfers, includes only cash transfers.

**Report Finding SL2010-E**

Finding:

The bank confirmations revealed that booster clubs are using the district's tax identification number. There were five accounts for various booster clubs that are using the school district's tax identification number for checking account purposes at June 30, 2010. There was one outstanding loan at June 30, 2010, that was an obligation of a booster club. The school district tax identification number was used in connection with this loan. The bank did not report any of the deposits as public deposits to the State Treasurer for collateralization purposes. A telephone discussion with the bank on August 29, 2011, was held. The bank officer contacted stated that the loan was not shown as an obligation of the school district. Such deposits totaled \$11,138 at June 30, 2010, and the loan balance was \$108,075.

Recommendation:

The district should instruct the booster clubs using the district's tax identification number to cease the use of that number for banking purposes.

District Response:

We will instruct the bank and the booster clubs not to use the Wayne County School District's federal employer identification number on any banking business.

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 and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Stephen D. Myrick  
Certified Public Accountant

September 30, 2011  
Quitman, Mississippi

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WAYNE COUNTY SCHOOL DISTRICT  
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WAYNE COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

**Section I: Summary of Auditor's Results**

Financial Statements:

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements:  | Unqualified |
| 2. | Noncompliance material to financial statements noted? (Yes/No)  | No          |
| 3. | Internal control over financial reporting:  |             |
| a. | Material weakness(es) identified? (Yes/No)  | Yes         |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? (Yes/None reported) | Yes         |

Federal Awards:

- |    |   |             |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 5. | Internal control over major programs:   |             |
| a. | Material weakness(es) identified? (Yes/No)  | Yes         |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? (Yes/None reported)                 | Yes         |
| 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. | Federal programs identified as major programs:  |             |
| a. | Title I, Part A cluster<br>CFDA #84.010<br>CFDA #84.389 - recovery  |             |
| b. | Special education cluster<br>CFDA #84.027<br>CFDA #84.173<br>CFDA #84.391 - recovery<br>CFDA #84.392 - recovery                 |             |
| c. | State fiscal stabilization fund (SFSF) cluster<br>CFDA #84.394 - recovery   |             |
| 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**

### **Significant Deficiency Considered to be a Material Weakness and Material Noncompliance**

#### **Finding 2010-01** *Sixteenth section principal revenue not shared in accordance with state law*

**Finding:**

Section 29-3-119, Mississippi Code Ann. (1972) requires that nonexpendable revenues be shared with other district in cases where a township is occupied by two or more school districts. There has been no accurate system in place for identifying royalty revenues to be shared with other school districts. An oil well has existed for many years on Section 16-10-7, which is a shared township section. The neighboring district recently brought forward the fact to the School Board of the Wayne County School District that the oil well was on a shared township and requested that the district remit any oil royalty revenues due to that district for the past ten years. The district has requested an opinion from the Attorney General of the State of Mississippi in this matter. However, the district acknowledges the amounts owed the other district and intends to pay the amounts owed to the other district unless the ruling states otherwise. Current year amounts due the other district totaled \$24,092.95. Prior year amounts due the other district totaled \$379,630.45. An audit adjustment was proposed and accepted to properly reflect this payable in the accounting records and financial statements for the year ended June 30, 2010.

**Recommendation:**

The district should develop a system of identifying shared townships where active oil wells are producing on sixteenth section lands. This system should be clearly communicated to and explained to successor administrators.

### **Significant Deficiencies Not Considered to be Material Weaknesses**

#### **Finding 2010-02** *Control deficiencies surrounding accounting for student activity fund receipts*

**Finding:**

Various deficiencies were noted in the control cycle surrounding Student Activity Fund Receipts. There is a lack of segregation of duties found in the receipt process at the local schools. Due to limited staff, the receipt of monies, the deposit of monies, and the recording of monies on the monthly transmittal form submitted to Central Office are often performed by the same person. A detailed analysis of receipts indicated the following weaknesses surrounding athletic gate receipts and concession sales. A deposit for the gate receipts for the August 24, 2009 football athletic event at Wayne County High School was \$110 short when compared to the ticket reconciliation form. However, a second deposit a week later for \$110 was made to make up the difference. There was no clear explanation from the school as to why or how this happened. There is no review performed at central office to make sure that the reconciled amount on the ticket reconciliation form is deposited in the same amount as the reconciled ticket reconciliation form and in a timely manner. There is no set method for reviewing the profit made at each campus on concession sales. Profit margins computed from expenditures for concession items and concession sales ranged from a low of 13% to a high of 25%. The central office does not review the reasonableness of such amounts. There is an inconsistent review at the school level.

**Recommendation:**

We recommend that the district, to the extent possible, segregate the duties involved in the receipt process at the local schools. The district should refine controls at the central administrative level to monitor the deposit of athletic gate receipts and to monitor concession sales at the individual campuses.

#### **Finding 2010-03** *Control deficiencies identified in payroll expenditure and related liabilities cycle*

**Finding:**

We noted five instances where hourly rates or supplement amounts were paid at an amount that differed from board-approved amounts. Details are as follows:

- A clerical worker was paid an additional \$1,000 as a building supervisor. Neither this amount nor position supplement was approved in the board minutes.
- One hourly employee who worked dual jobs was paid a blended rate of \$10.98, but the board approved her blended rate at \$10.37.
- Another hourly employee who worked dual jobs was paid a blended rate of \$14.07, but the board approved her blended rate at \$13.64.
- One administrator received an Assistant Principal Supplement of \$8,050.; however, the board approved rate for this supplement was \$5,000.
- An assistant band director was paid \$1,500 as a supplement for performing the duties of Band Administrative Assistant. The board approve rate for this supplement was \$1,000.

Recommendation:

We recommend that the district pay all supplements as set by the school board and include all supplements paid in the listing that the school board approves. We recommend that the district pay the hourly rates approved by the school board for hourly employees.

### **Section III: Federal Award Findings and Questioned Costs**

#### **Significant Deficiencies Considered to be Material Weaknesses and Material Noncompliance**

##### **Finding 2010-04** *Allowable costs/cost principles – payroll expenditures charged to wrong award program*

Special Education Cluster:

Special education – grants to states (84.027)

Finding:

The award applications that are approved by the Mississippi Department of Education serve as a guide, outlining allowable costs for each grant in the Special education cluster of awards. Cluster funds budgets should align with the approved award applications and become one basis for determining whether an expenditure is allowable under program guidelines.

Six individuals were coded to and paid from the Special education – grants to states award (84.027) in the Special Education cluster. These positions included a portion of a case manager's salary, two personal care providers, two paraprofessionals, and one behavior specialist. However, the positions were approved by the Mississippi Department of Education in the ARRA Special education – grants to states (84.391) application instead of the Special education – grants to states award. The costs were allowable to the cluster, but were not coded to the correct award program within the cluster. Total costs, including benefits, were \$159,426.07.

There is a material weakness in the control cycle surrounding allowable costs in the Special Education Cluster of Funds. This weakness allowed for the payment of salaries and benefits for positions not approved in the award application. The Mississippi Department of Education has requested that the district submit a revised project application for the 2009-2010 year prior to September 30, 2011, to include the allocation of funds to cover the positions paid from this federal award program.

Recommendation:

We recommend that the district align cluster fund budgets with the approved project applications submitted to the Mississippi Department of Education. Categories of spending or positions not included in the original application must be approved through application amendments.

##### **Finding 2010-05** *Allowable costs/cost principles – purchase of bus not included in grant application*

Special Education Cluster:

Special education – grants to states (84.027)

Finding:

The award applications that are approved by the Mississippi Department of Education serve as a guide, outlining allowable costs for each grant in the Special education cluster of awards. Cluster funds budgets should align with the approved award applications and become one basis for determining whether an expenditure is allowable under program guidelines.

An expenditure in the amount of \$57,664 for a handicap-accessible bus was made from the Special education – grants to states award (84.027). The bus was approved in the 2008-2009 original project application to be paid for with award funds. The bus was not purchased during the 2008-2009 year, and no funds were encumbered for the purchase of the bus. When the district developed the 2009-2010 original project application for carryover funds for this grant award, the administration failed to provide for the purchase of the bus in the carryover funds. The district purchased the bus during the 2009-2010 year, citing approval in the 2008-2009 application; however, the purchase of the new bus was not included in the carryover portion of the 2009-2010 project application.

There is a material weakness in the control cycle surrounding allowable costs in the Special Education Cluster of Funds. This weakness allowed for the purchase of equipment in excess of approved project application amounts. The Mississippi Department of Education has requested that the district submit a revised project application for the 2009-2010 year prior to September 30, 2011, to include the allocation of funds to cover the purchase of the bus.

Recommendation:

We recommend that the district align cluster fund budgets with the approved project applications submitted to the Mississippi Department of Education. Categories of spending not included in the application must be approved through application amendments. When spending plans do not occur within the initial award year of an award, those plans should be carried forward and reflected as a part of the carry over application amount for the subsequent fiscal year.

**Significant Deficiencies Not Considered to be Material Weaknesses and Material Noncompliance**

**Finding 2010-06***Procurement and suspension and debarment- competitive quotes not obtained*

Special Education Cluster:

ARRA Special education – grants to states (84.391)

Finding:

When purchasing goods and services from Special education cluster awards, school districts must use the same state policies and procedures used for procurements from non-Federal awards. During testing of non-payroll expenditures in the Special Education cluster, we noted two instances where competitive quotes were not secured for purchases over \$5,000 in the ARRA Special education – grants to states award program. Competitive quotes are required under state law for all purchases over \$5,000 but less than \$25,000. Program administration stated that they incorrectly assumed competitive quotes were only necessary when a single item exceeded \$5,000. Both instances involved the purchase of a copier. There were no compensating district-level controls to detect and correct this non-compliance in a timely manner.

Recommendation:

We recommend that program administrators be trained to recognize and respond to the need for competitive quotes when purchasing from Special education cluster awards. There should be a review of purchasing requirements made at the central administrative level for each purchase order issued that is over \$5,000. This review would ensure that competitive bid/quote procedures are followed.

**Finding 2010-07***Allowable costs/cost principles – unallowable payroll expenditures*

Special Education Cluster:

Special education – grants to states (84.027)

ARRA Special education – grants to states (84.391)

Finding:

A district may only use Federal funds under IDEA, Part B for the excess costs of providing special education and related services to children with disabilities. A supplement for managing fixed assets at the local school level and the costs of substitute teachers for special education services are not allowable costs under IDEA, Part B.

A supplement for a fixed asset manager at a local school was inadvertently charged to the ARRA Special education – grants to states award. The total amount of the supplement, including benefits, was \$598.25. Substitute teachers paid to cover classes for state/local funded special education teachers were inadvertently paid from the Special education – grants to states award. Such expenditures are not an allowable cost of the project. The total amount paid, including benefits, totaled \$561.93 for the ARRA Special education – grants to states award and \$3,963.67 for the Special education – grants to states award. The expenditure coding of these individuals appears to be an oversight.

Controls surrounding the determination of allowable costs/cost principles were inadequate to prevent unallowable charges from being paid from Special education cluster awards.

Total Questioned Costs: \$5,123.85

Recommendation:

We recommend that the district review the coding of all employees, identifying those individuals who are being paid in-part or in-whole with Special education cluster awards. Individuals who are paid from this cluster of awards must be included in the approved award application and perform services that supplement special education services to disabled students. This system of review should be on-going and documented. We further recommend that the unallowable charges be repaid to the Special Education Cluster.

**Finding 2010-08***Cash Management – excess cash draw down*

Special Education Cluster:

Special education – preschool grants (84.173)

Finding:

Excess cash balances existed in the Preschool Fund (Fund 2620) in the Special Education Cluster of Awards for the entire year. The average monthly balance of excess cash was \$34,104. The monies were maintained in a pooled bank account and earned 2.02% interest for the year ended June 30, 2010. This constitutes a control deficiency as it relates to how the district treats deferred revenues when making cash requests. There was no excess draws for the Cluster as a whole. The average monthly balance for cash for the combined award programs within the Special Education was (\$60,470).

Recommendation:

When a federal award program fund has deferred revenue balances at the beginning of the year, the request for funds should be reduced by the amount of federal revenues deferred at the beginning of the year. This will help prevent excess drawdowns of this nature.

**Finding 2010-09***Allowable costs/cost principles – documentation of employee time and effort*

Special Education Cluster:

Special education – grants to states (84.027)

Special education – preschool grants (84.173)

ARRA Special education – grants to states (84.391)

ARRA Special education – preschool grants (84.392)

**Title I Cluster:**

Title I grants to local educational agencies (84.010)

ARRA Title I grants to local educational agencies (84.389)

**Finding:**

There were no semi-annual certifications filed for either Special Education or Title I Clusters. Persons being pro-rated between federal award programs and state and local funds did not maintain appropriate records to support the proration of salary amounts.

**Recommendation:**

We recommend that the district develop policies and procedures requiring semi-annual certifications for all individuals paid from federal funds and time and effort reports for employees who are assigned to both Federal program and non-federal activities in accordance with OMB Circular A-87.

***Finding 2010-10 Reporting – other reports - annual financial report due to Mississippi Department of Education***

**Special Education Cluster:**

Special education – grants to states (84.027)

Special education – preschool grants (84.173)

ARRA Special education – grants to states (84.391)

ARRA Special education – preschool grants (84.392)

**Finding:**

Financial reports submitted to the Mississippi Department of Education were not timely. Reports differed from the general ledger in amounts that were not material to the cluster of awards. The financial report was due September 30, 2010, but was submitted April 11, 2011.

**Recommendation:**

We recommend that the financial reports be prepared in a timely manner but no later than September 30 of each year. The general ledger should serve as a basis for the financial reports.

## AUDITEE'S CORRECTIVE ACTION PLAN

WAYNE COUNTY SCHOOL DISTRICT

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# WAYNE COUNTY SCHOOL DISTRICT

Keith Clay,  
Interim Superintendent of Education

*"Building Tomorrow's Leaders Today"*

Leah Parson, District 1  
Fred Andrews, District 2  
Charles Chapman, District 3  
Jimmy Barnett, District 4  
Terry Graham, District 5  
Tommy Dickerson, Board Attorney

## RESPONSES TO AUDIT FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

### Section II: Financial Statement Findings

- 2010-01      Sixteenth section principal revenue not shared in accordance with state law.
- a.    The oil royalties in question will be paid to the Qultman School District just as soon as the Attorney General issues his opinion regarding the amount to be paid.
  - b.    Keith Clay, Interim Superintendent  
      Doug Everitt, Business Manager  
      Telephone (601) 735-4871
  - c.    We anticipate this to be resolved by the end of this calendar year. Subsequent payments will be paid on a routine schedule not yet specified.
- 2010-02      Control deficiencies surrounding accounting for student activity fund receipts.
- a.    We have instituted procedures to audit the deposits of gate receipts to the ticket reconciliation form. Each school financial secretary is responsible for receipting and depositing the gate receipts, and we now require them to attach a copy of their receipt and deposit slip as support for the reconciliation form.  
      Concerning concession gross profits, we have made sporadic checks on the variations from school to school, but we will now make it a routine procedure to report on it quarterly.
  - b.    Keith Clay, Interim Superintendent  
      Doug Everitt, Business Manager  
      Telephone (601) 735-4871
  - c.    Effective immediately.
- 2010-03      Control deficiencies identified in payroll expenditure and related liabilities cycle
- a.    The flaw in this system has been that the Board approved salary schedule has not been prepared in the proper manner. In each of the examples cited, the individual's pay did not change from the prior year. The bus driver pay was increased in 2008-09, which affected these employees' blended rates, but the salary schedule was never updated for the impact of those increases.  
      The \$1,000 supplement mentioned, which was paid as a building supervisor, had been in effect since the 2003-04 school year.  
      The Administrative Assistant label for the assistant band director's \$1,500 supplement was simply a mislabelling of the supplement. It should have said "Junior High Band Director", for which the supplement is \$1,500.  
      The \$8,050 supplement for the administrator at Waynesboro Elementary School has been in effect

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since 2007-08, and it was on the salary schedule at that time. There is no explanation for how or why it got deleted.

We will institute strict measures this year to make certain that the Board approved salary schedule accurately reflects the realities of the payroll.

- b. Keith Clay, Interim Superintendent  
Doug Everitt, Business Manager  
Telephone (601) 735-4871
- c. Effective with the salary schedule to be prepared and approved in May, 2012.

### **Section III: Federal Award Findings and Questioned Costs**

#### **2010-04 Allowable Costs/Cost Principles - payroll expenditures charged to wrong award program**

- a. The control weakness here was a lack of timely communication between the business manager and the director of special education, who was preparing the budget for the program.  
We are now working together on the budget preparation to make certain that the personnel and payroll budget aligns with what is actually in the District's payroll and accounting system.
- b. Keith Clay, Interim Superintendent  
Doug Everitt, Business Manager  
Telephone (601) 735-4871
- c. Effective with the salary schedule to be prepared and approved in May, 2012.

#### **2010-05 Allowable Costs/Cost Principles - purchase of bus not included in grant application**

- a. The bus in question was ordered on March 19, 2009, on our purchase order number 46838, but it was not delivered to us until August 8, 2009, and we paid for it in September, 2009. Somehow, this situation of a pending purchase did not get recognized in the budget process. We will make certain to pay closer attention to such issues in the future.
- b. Tina Harrison, Special Ed Director  
Doug Everitt, Business Manager  
Telephone (601) 735-4871
- c. Effective immediately.

#### **2010-06 Procurement and Suspension and Debarment - competitive quotes not obtained**

- a. All administrative personnel who are involved in requisitioning and purchasing assets or supplies for the school district will be instructed again on the proper purchasing procedures.  
All purchase orders submitted for approval to the Superintendent should have all quotes attached for his review prior to signing.

b. Keith Clay, Interim Superintendent  
Doug Everitt, Business Manager  
Telephone (601) 735-4871

c. Effective immediately.

2010-07

Allowable Costs/Cost Principles – unallowed payroll expenditures

a. The fixed asset supplement getting charged to ARRA funds was a negligent oversight. The substitute pay being charged to ARRA funds was a system issue, in which the payroll system assigned the account distribution based upon the person for whom the substitute was hired. A review of the balances in accounts will prevent this from happening again.

b. Keith Clay, Interim Superintendent  
Doug Everitt, Business Manager  
Telephone (601) 735-4871

c. Effectively immediately.

2010-08

Cash Management – excess cash draw down

a. The excess cash balance will be rectified in the current (2011-12) fiscal year.

b. Keith Clay, Interim Superintendent  
Doug Everitt, Business Manager  
Telephone (601) 735-4871

c. Effective immediately.

2010-09

Allowable Costs/Cost Principles – documentation of employee time and effort

a. The district will begin maintaining employee time and effort reports.

b. Tina Harrison, Special Education Director; Jeanne Woods, Title I Director.  
Telephone (601) 735-4871

c. Effective immediately.

2010-10


Reporting – other reports - annual financial report due to Mississippi Department of Education

a. The district will provide additional controls to make sure that the financial reports submitted match the accounting records for the program.

b. Tina Harrison, Special Education Director  
Doug Everitt, Business Manager  
Telephone (601) 735-4871

c. Effective immediately with reports due for the 2011-2012 year.

Sincerely,



Keith Clay  
Interim Superintendent of Education

# WAYNE COUNTY SCHOOL DISTRICT

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## SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

WAYNE COUNTY SCHOOL DISTRICT

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# WAYNE COUNTY SCHOOL DISTRICT

Keith Clay,  
Interim Superintendent of Education

*"Building Tomorrow's Leaders Today"*

Leah Parson, District 1  
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Tommy Dickerson, Board Attorney

## SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

### 2009-03. Finding. Controls surrounding Reporting-Special Education Cluster- CFDA 84.027/84.173

The financial reporting requirements for sub-recipients are specified by the pass-through entity. The Mississippi Department of Education requires that an annual expenditure report be submitted by the school district by September 30 of each year, outlining the expenditures of the previous fiscal year. The report detailing Special Education Cluster awards was submitted on September 21, 2009, for the fiscal year ending June 30, 2009. The numbers presented on the report did not agree with the financial accounting records for the same period. Differences of \$20,742.85 in the Special education - grants to states award (CFDA 84.027) and \$5,995.83 in the Special education - preschool grants award (CFDA 84.173) existed between the report figures presented and the accounting records for the same period. The reason for this difference is not known.

Resolution:

Repeat Finding 2010-10.

