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Wayne County School District

Audited Financial Statements
For the Year Ended June 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

**Wayne County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wayne County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Wayne County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
School Food Service Fund	Qualified
Sixteenth Section Principal Fund	Qualified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinion on the Governmental Activities

The Wayne County School District did not maintain adequate records documenting the existence, completeness, and valuation of the capital assets related to buildings, building improvements, and improvements other than buildings for governmental activities. Due to the nature of the Wayne County School District's records, we were unable to satisfy ourselves as to the fair presentation of the capital assets related to buildings, building improvements, and improvements other than buildings.

Basis for Qualified Opinion on the General Fund, School Food Service Fund, Sixteenth Section Principal Fund, and the Aggregate Remaining Fund Information

The Wayne County School District did not maintain adequate records for supporting amounts presented for due to/from other funds for general fund, school food service fund, sixteenth section principal fund, and aggregate remaining fund information. Due to the nature of the Wayne County School District's records, we were unable to satisfy ourselves as to the fair presentation of the due to/from other funds.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Wayne County School District, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the General Fund, School Food Service Fund, Sixteenth Section Principal Fund, and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, School Food Service Fund, Sixteenth Section Principal Fund, and the Aggregate Remaining Fund Information of the Wayne County School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 9 to 20 and 60 to 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, on our consideration of the Wayne County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 25, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The following discussion and analysis of Wayne County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2016 increased \$3,437,579, including a prior period adjustment of (\$351,809), which represents a 5% increase from fiscal year 2015. Total net position for 2015 decreased \$27,724,441, including a prior period adjustment of (\$36,907,368), which represents a 28% decrease from fiscal year 2014.
- General revenues amounted to \$32,315,577 and \$33,105,390, or 81% and 82% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,410,065, or 19% of total revenues for 2016, and \$7,221,003, or 18% of total revenues for 2015.
- The District had \$35,936,254 and \$31,143,466 in expenses for fiscal years 2016 and 2015; only \$7,410,065 for 2016 and \$7,221,003 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$32,315,577 for 2016 and \$33,105,390 for 2015 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$23,824,932 in revenues and \$25,008,092 in expenditures for 2016, and \$22,650,431 in revenues and \$24,389,996 in expenditures for 2015. The General Fund's fund balance decreased by \$807,876, including a prior period adjustment of (\$4,263), from 2015 to 2016, and decreased by \$4,300,905, including a prior period adjustment in the amount of (\$2,606,140) and a fund reclass of Sixteenth Section Interest Funds from Special Revenue Funds to General Fund in the amount of \$53,452, from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$673,046, including a prior period adjustment of \$29,001, for 2016 and increased by \$3,081,127, including a prior period adjustment of (\$722,021), for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$760,000 for 2016 and decreased by \$740,000 for 2015. This decrease for 2016 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$60,316 for 2016 and decreased by \$12,394 for 2015.

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major Special Revenue Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net Position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$73,697,694 as of June 30, 2016.

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 position at June 30, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 3,812,094	4,957,220	(23)%
Restricted assets	79,660,296	75,012,165	6%
Capital assets, net	33,628,254	34,301,300	(2)%
Total assets	117,100,644	114,270,685	2%
Deferred outflows of resources	8,892,053	3,389,888	162%
Current liabilities	1,772,532	2,273,784	(22)%
Long-term debt outstanding	6,095,447	6,913,487	(12)%
Net pension liability	43,248,007	33,245,474	30%
Total liabilities	51,115,986	42,432,745	20%
Deferred inflows of resources	1,179,017	4,967,713	(76)%
Net position:			
Net investment in capital assets	27,873,030	27,803,145	0%
Restricted	85,811,368	80,999,035	6%
Unrestricted	(39,986,704)	(38,542,065)	4%
Total net position	\$ 73,697,694	70,260,115	5%

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Additional information on unrestricted net position:

In connection with the implementation of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (39,986,704)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>36,366,239</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ (3,620,465)</u></u>

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

- Decrease in net capital assets in the amount of \$673,046.
- The principal retirement of \$760,000 of long-term debt.
- Deferred premium on investments \$727,718.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$39,725,642 and \$40,326,393, respectively. The total cost of all programs and services was \$35,936,254 for 2016 and \$31,143,466 for 2015.

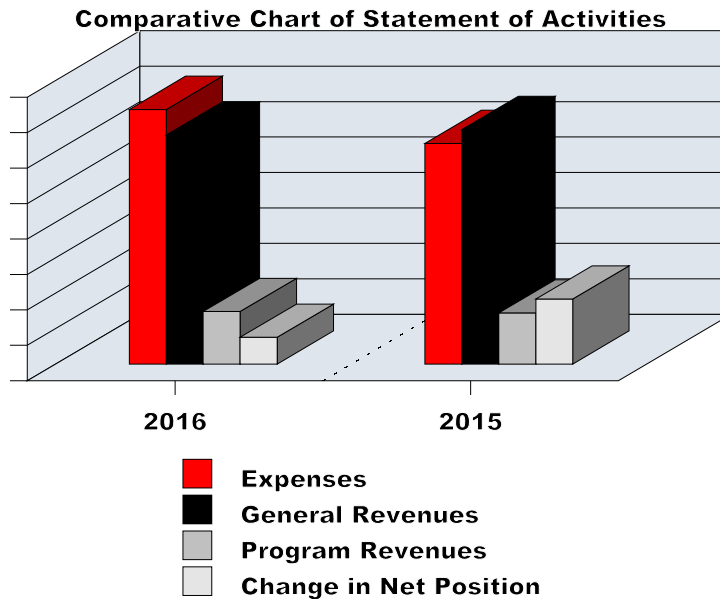
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,084,927	1,165,727	(7)%
Operating grants and contributions	6,325,138	6,055,276	4%
General revenues:			
Property taxes	4,975,114	4,614,658	8%
Grants and contributions not restricted	17,321,313	17,093,938	1%
Unrestricted investment earnings	5,007,510	2,377,959	111%
Sixteenth section resources	4,731,662	8,860,813	(47)%
Other	279,978	158,022	77%
Total revenues	<u>39,725,642</u>	<u>40,326,393</u>	(1)%
Expenses:			
Instruction	16,402,025	17,425,443	(6)%
Support services	11,657,510	7,461,447	56%
Non-instructional	2,196,293	2,201,286	0%
Sixteenth section	927,763	1,386,630	(33)%
Pension expense	4,265,361	2,198,156	94%
Interest on long-term liabilities	487,302	470,504	4%
Total expenses	<u>35,936,254</u>	<u>31,143,466</u>	15%
Increase (Decrease) in net position	<u>3,789,388</u>	<u>9,182,927</u>	(59)%
Net Position, July 1, as previously reported	70,260,115	97,984,556	(28)%
Prior period adjustment	<u>(351,809)</u>	<u>(36,907,368)</u>	99%
Net Position, July 1, as restated	<u>69,908,306</u>	<u>61,077,188</u>	14%
Net Position, June 30	<u>\$ <u>73,697,694</u></u>	<u><u>70,260,115</u></u>	5%

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016



Governmental activities

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

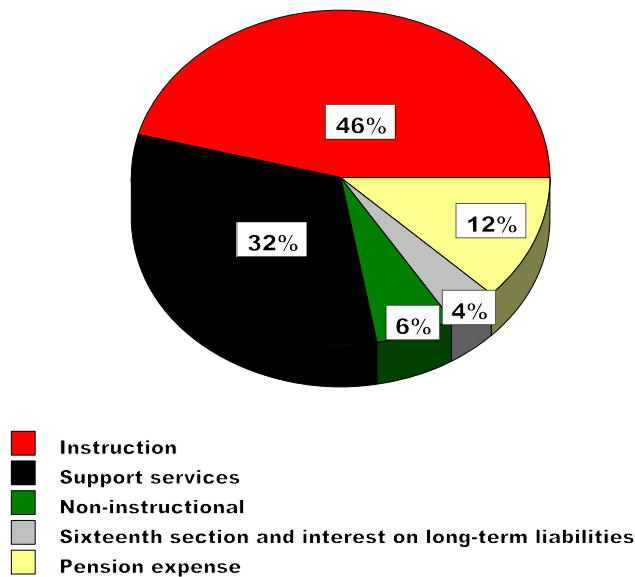
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>			
	2016	2015	Percentage Change	
Instruction	\$ 16,402,025	17,425,443	(6)%	
Support services	11,657,510	7,461,447	56%	
Non-instructional	2,196,293	2,201,286	0%	
Sixteenth section	927,763	1,386,630	(33)%	
Pension expense	4,265,361	2,198,156	94%	
Interest on long-term liabilities	487,302	470,504	4%	
Total expenses	\$ 35,936,254	31,143,466	15%	

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

	Net (Expense) Revenue		
	2016	2015	Percentage Change
Instruction	\$ (12,798,507)	(13,945,152)	8%
Support services	(10,229,426)	(6,054,157)	(69)%
Non-instructional	74,392	35,187	111%
Sixteenth section	(819,985)	(1,289,681)	36%
Pension expense	(4,265,361)	(2,198,156)	(94)%
Interest on long-term liabilities	(487,302)	(470,504)	(4)%
Total net (expense) revenue	\$ (28,526,189)	(23,922,463)	(19)%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$28,526,189 for 2016 and \$23,922,463 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$4,975,114 for 2016 and \$4,614,658 for 2015) and state and federal revenues of (\$17,321,313 for 2016 and \$17,093,938 for 2015). In addition, there was \$4,731,662 and \$8,860,813 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$5,007,510 for 2016 and \$2,377,959 for 2015.

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$82,535,134, an increase of \$4,727,852, which includes a prior period adjustment of (\$380,810) and a decrease in inventory of \$118. (\$4,470,736), or (5%) of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$87,005,870 or 105% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$807,876, including a prior period adjustment of (\$4,263). The fund balance of Other Governmental Funds showed an increase in the amount of \$40,415, which includes a prior period adjustment in the amount of (\$376,547). The increase (decrease) in the fund balances for the other major funds was as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	\$ (91,108)
Sixteenth Section Principal Fund	5,586,421

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 Wayne County 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 fund(s) is provided in this report as required supplementary information.

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$49,077,685, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$529,139 from 2015. Total accumulated depreciation as of June 30, 2016, was \$15,449,431, and total depreciation expense for the year was \$1,269,851, resulting in total net capital assets of \$33,628,254.

Table 4
Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 223,257	223,257	0%
Buildings	27,269,007	27,919,211	(2)%
Building improvements	1,523,075	1,630,509	(7)%
Improvements other than buildings	2,034,049	2,112,942	(4)%
Mobile equipment	2,033,717	1,845,903	10%
Furniture and equipment	545,149	569,478	(4)%
Total	<u>\$ 33,628,254</u>	<u>34,301,300</u>	<u>(2)%</u>

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

Debt Administration. At June 30, 2016, the District had \$6,091,673 in outstanding long-term debt, of which \$790,000 is due within one year. The liability for compensated absences decreased \$60,316 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,125,000	1,655,000	(32)%
Three mill notes payable	1,730,000	1,960,000	(12)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	236,673	296,989	(20)%
Total	<u>\$ 6,091,673</u>	<u>6,911,989</u>	<u>(12)%</u>

Wayne County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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.

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

Enrollment for the 2015 - 2016 year decreased by 2% to 3,021 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, MS 39367.

FINANCIAL STATEMENTS

WAYNE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 982,882
<i>Due from other governments</i>	2,437,334
<i>Accrued interest receivable</i>	196,298
<i>Other receivables, net</i>	180,347
<i>Inventories</i>	15,233
<i>Restricted assets</i>	79,660,296
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	223,257
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	27,269,007
<i>Building improvements</i>	1,523,075
<i>Improvements other than buildings</i>	2,034,049
<i>Mobile equipment</i>	2,033,717
<i>Furniture and equipment</i>	545,149
Total Assets	<u>117,100,644</u>
Deferred Outflows of Resources	
<i>Pension related</i>	8,060,785
<i>Deferred premium on investments</i>	727,718
<i>Charges on advance refunding of debt</i>	103,550
Total Deferred Outflows of Resources	<u>8,892,053</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	1,526,103
<i>Unearned revenue</i>	90,289
<i>Other payables</i>	48,582
<i>Interest payable on long-term liabilities</i>	107,558
 Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	790,000
 Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	5,065,000
<i>Bond premium, capital related</i>	11,658
<i>Bond discounts, capital related</i>	(7,884)
<i>Non-capital related liabilities</i>	236,673
<i>Net pension liability</i>	43,248,007
Total Liabilities	<u>51,115,986</u>
Deferred Inflows of Resources	
<i>Pension related</i>	1,179,017
Total Deferred Inflows of Resources	<u>1,179,017</u>
Net Position	
Net Investment in Capital Assets	27,873,030
Restricted For:	
Expendable:	
School-based activities	822,956
Debt service	1,701,689
Capital improvements	68,842
Unemployment benefits	74,246
Forestry improvements	113,037
Nonexpendable:	
Sixteenth section	83,030,598
Unrestricted	(39,986,704)
Total Net Position	<u>\$ 73,697,694</u>

The accompanying notes are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 16,402,025	\$ 846,768	\$ 2,756,750	\$ (12,798,507)
<i>Support services</i>	11,657,510	--	1,428,084	(10,229,426)
<i>Noninstructional services</i>	2,196,293	130,381	2,140,304	74,392
<i>Sixteenth section</i>	927,763	107,778	--	(819,985)
<i>Pension expense</i>	4,265,361	--	--	(4,265,361)
<i>Interest on long-term liabilities</i>	487,302	--	--	(487,302)
Total Governmental Activities	<u>\$ 35,936,254</u>	<u>\$ 1,084,927</u>	<u>\$ 6,325,138</u>	<u>(28,526,189)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				4,692,221
<i>Debt purpose levies</i>				282,893
Unrestricted grants and contributions:				
<i>State</i>				16,700,142
<i>Federal</i>				621,171
<i>Unrestricted investment earnings</i>				5,007,510
<i>Sixteenth section sources</i>				4,731,662
<i>Other</i>				279,978
Total General Revenues				<u>32,315,577</u>
Change in Net Position				<u>3,789,388</u>
Net Position - Beginning, as previously reported				70,260,115
Prior Period Adjustment				<u>(351,809)</u>
Net Position - Beginning, as restated				69,908,306
Net Position - Ending				<u>\$ 73,697,694</u>

The accompanying notes are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	School Food Service Fund
Assets:		
<i>Cash and cash equivalents</i>	\$ 585,757	\$ 132,544
<i>Cash with fiscal agents</i>	--	--
<i>Investments</i>	--	--
<i>Due from other governments</i>	380,500	--
<i>Accrued interest receivable</i>	--	--
<i>Other receivables, net</i>	178,564	443
<i>Due from other funds</i>	3,781,559	2,520,327
<i>Advances to other funds</i>	--	--
<i>Inventories</i>	--	15,233
Total Assets	<u>4,926,380</u>	<u>2,668,547</u>
Deferred Outflows of Resources		
Deferred premium on investments	--	--
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,926,380</u>	<u>\$ 2,668,547</u>
Liabilities and Fund Balances		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 942,951	\$ 78,477
<i>Due to other funds</i>	2,760,935	1,767,114
<i>Advances from other funds</i>	5,285,422	--
<i>Unearned revenue</i>	--	--
<i>Other payables</i>	48,582	--
Total Liabilities	<u>9,037,890</u>	<u>1,845,591</u>
Fund Balances:		
Nonspendable:		
Inventory	--	15,233
Advances	--	--
Permanent fund principal	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Capital improvements	--	--
Debt service	--	--
Food service	--	807,723
Assigned:		
Activity funds	359,226	--
Unassigned	(4,470,736)	--
Total Fund Balances	<u>(4,111,510)</u>	<u>822,956</u>
Total Liabilities and Fund Balances	<u>\$ 4,926,380</u>	<u>\$ 2,668,547</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,642,386	\$ 264,581	\$ 2,625,268
2,041,091	517,633	2,558,724
74,477,835	981,351	75,459,186
--	2,042,417	2,422,917
193,713	2,585	196,298
--	1,340	180,347
330,184	288,341	6,920,411
5,285,422	--	5,285,422
--	--	15,233
<u>83,970,631</u>	<u>4,098,248</u>	<u>95,663,806</u>
727,718	--	727,718
<u>727,718</u>	<u>--</u>	<u>727,718</u>
\$ <u>84,698,349</u>	\$ <u>4,098,248</u>	\$ <u>96,391,524</u>
\$ 101,120	\$ 403,555	\$ 1,526,103
838,913	1,539,032	6,905,994
--	--	5,285,422
--	90,289	90,289
--	--	48,582
<u>940,033</u>	<u>2,032,876</u>	<u>13,856,390</u>
--	--	15,233
5,285,422	--	5,285,422
78,472,894	--	78,472,894
--	74,246	74,246
--	113,037	113,037
--	68,842	68,842
--	1,809,247	1,809,247
--	--	807,723
--	--	359,226
--	--	(4,470,736)
<u>83,758,316</u>	<u>2,065,372</u>	<u>82,535,134</u>
\$ <u>84,698,349</u>	\$ <u>4,098,248</u>	\$ <u>96,391,524</u>

WAYNE COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016*

Total fund balances for governmental funds	\$ 82,535,134
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	33,628,254
Liabilities due in one year are not recognized in the funds.	(790,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,570,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(107,558)
Payables for notes which are not due in the current period are not reported in the funds.	(1,495,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(236,673)
Deferred charges on advance refunding is accounted for in the SNP but not in the funds.	103,550
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(43,248,007)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(1,179,017)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	8,060,785
Bond discounts are amortized in the SNP but not in the funds.	7,884
Bond premiums are amortized in the SNP but not in the funds.	(11,658)
Net position of governmental activities	\$ <u>73,697,694</u>

The accompanying notes are an integral part of this statement.

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WAYNE COUNTY SCHOOL DISTRICT

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016*

	General Fund	School Food Service Fund
Revenues:		
Local sources	\$ 5,821,966	\$ 133,157
State sources	16,309,588	22,498
Federal sources	544,400	2,199,854
Sixteenth section sources	1,148,978	--
Total Revenues	<u>23,824,932</u>	<u>2,355,509</u>
Expenditures:		
Instruction	14,551,404	--
Support services	10,229,987	142,609
Noninstructional services	13,255	2,085,299
Sixteenth section	--	--
Debt service:		
Principal	--	--
Interest	213,446	--
Other	--	--
Total Expenditures	<u>25,008,092</u>	<u>2,227,908</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,183,160)</u>	<u>127,601</u>
Other Financing Sources (Uses):		
Insurance recovery	5,644	--
Operating transfers in	2,442,295	37,717
Payment to QSCB debt escrow agent	--	--
Operating transfers out	(2,068,392)	(256,308)
Transfer to QSCB debt escrow agent	--	--
Total Other Financing Sources (Uses)	<u>379,547</u>	<u>(218,591)</u>
Net change in fund balances	<u>(803,613)</u>	<u>(90,990)</u>
Fund Balances:		
July 1, 2015, as previously reported	(3,303,634)	914,064
Prior period adjustments	(4,263)	--
July 1, 2015, as restated	<u>(3,307,897)</u>	<u>914,064</u>
Increase (Decrease) in inventory	--	(118)
June 30, 2016	<u>\$ (4,111,510)</u>	<u>\$ 822,956</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 309,469	\$ 6,264,592
--	1,186,897	17,518,983
--	3,383,214	6,127,468
8,550,090	115,531	9,814,599
<u>8,550,090</u>	<u>4,995,111</u>	<u>39,725,642</u>
--	3,511,146	18,062,550
--	1,910,949	12,283,545
--	45,750	2,144,304
778,436	149,327	927,763
--	760,000	760,000
--	256,893	470,339
--	4,017	4,017
<u>778,436</u>	<u>6,638,082</u>	<u>34,652,518</u>
<u>7,771,654</u>	<u>(1,642,971)</u>	<u>5,073,124</u>
--	30,012	35,656
--	2,183,117	4,663,129
--	327,012	327,012
(2,185,233)	(153,196)	(4,663,129)
--	(327,012)	(327,012)
<u>(2,185,233)</u>	<u>2,059,933</u>	<u>35,656</u>
<u>5,586,421</u>	<u>416,962</u>	<u>5,108,780</u>
78,171,895	2,024,957	77,807,282
--	(376,547)	(380,810)
<u>78,171,895</u>	<u>1,648,410</u>	<u>77,426,472</u>
--	--	(118)
<u>\$ 83,758,316</u>	<u>\$ 2,065,372</u>	<u>\$ 82,535,134</u>

WAYNE COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016*

Net change in fund balances - total governmental funds	\$ 5,108,780
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	571,561
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,269,851)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(3,757)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	530,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	230,000
(Increase) decrease in accrued interest from beginning of period to end of period.	4,123
Change in inventory affects fund balance in the funds but expense in the SOA.	(118)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	60,316
Bond premiums are reported in the funds but not in the SOA.	1,666
Bond discounts are reported in the funds but not in the SOA.	(3,942)
Loss on bond redemption is amortized in SOA.	(14,793)
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	2,840,764
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(4,265,361)
Change in net position of governmental activities	\$ <u>3,789,388</u>

The accompanying notes are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds
Assets:	
<i>Cash and cash equivalents</i>	\$ 465,622
<i>Due from other funds</i>	220,901
Total Assets	<u>\$ 686,523</u>
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 296,719
<i>Due to student clubs</i>	147,034
<i>Due to other funds</i>	235,318
<i>Other payables</i>	7,452
Total Liabilities	<u>\$ 686,523</u>

The accompanying notes are an integral part of this statement.

Wayne County School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Wayne County School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Food Service Fund.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

The District's fiduciary funds include the following:

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

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Student Club Funds - These fiduciary funds account for the assets and liabilities associated with student club activities.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

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

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

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

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

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

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

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

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

State of Mississippi.

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school 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 Sections 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.

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery,

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

be recognized as an outflow of resources (expense) until then. The school district have deferred outflows which are presented as deferred outflows for pension, deferred premium on investments, and charges on advance refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The school district has a deferred inflow which is presented as a deferred inflow for pension.

See Note 14 for further details.

8. 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.

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

See Note 6 for further details.

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

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

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

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

adopted by the school district.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 5% of district maintenance revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,625,268 and \$465,622, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, none of the district's bank balance of \$3,885,033 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$2,558,724.

Investments

As of June 30, 2016, the district had the following investments.

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AAA	Less than one year	\$ 981,351
Certificates of Deposit	Not rated	More than one year	1,080,077
U.S. Government Securities	AAA	More than one year	61,307,302
U.S. Government Bonds	AAA	More than one year	1,264,609
U.S. Government Bonds	AAA	More than one year	10,825,847
			<u>\$ 75,459,186</u>

The School Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable in puts.

The School Board has the following recurring fair value measurements as of June 30, 2016:

- Level 1 type of investments of \$75,459,186 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents 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, 2016

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

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

A. Due From/To Other Funds

Due from/to other funds amount total \$7,141,312. A schedule to support these amounts was not available.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ <u>5,285,422</u>

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

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 339,918	192,318	532,236
2018	351,817	180,420	532,237
2019	364,191	168,045	532,236
2020	351,386	155,175	506,561
2021	326,612	142,818	469,430
2022 - 2026	1,519,788	537,629	2,057,417
2027 - 2031	1,236,630	283,715	1,520,345
2032 - 2036	<u>795,080</u>	<u>48,029</u>	<u>843,109</u>
Total	\$ <u>5,285,422</u>	<u>1,708,149</u>	<u>6,993,571</u>

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

C. Inter-fund Transfers

Transfers In	Transfer Out	Amount
General Fund	Sixteenth Section Principal Fund	\$ 2,185,233
	Other Governmental Funds	754
	School Food Service Fund	256,308
Other Governmental Funds	General Fund	2,068,392
	Other Governmental Funds	114,725
School Food Service Fund	Other Governmental Funds	37,717
Total		<u>\$ 4,663,129</u>

Note 4 - Restricted Assets

The restricted assets represent the cash, cash with fiscal agents, and investment balances, totaling \$1,642,386, \$2,041,091 and \$74,477,835, respectively, of the Sixteenth Section Principal Fund, which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance totaling \$506,625, of the MAEP Retirement Fund.

In addition, the restricted assets represent the cash with fiscal agents and investment balance \$11,008 and \$981,351, respectively, of the QSCB Debt Retirement Fund.

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Note 5 - Capital Assets

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

	Balance 7-1-2015	Additions	Retirements	Adjustments	Balance 6-30-2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 223,257				223,257
Total non-depreciable capital assets	223,257	0	0	0	223,257
<u>Depreciable capital assets:</u>					
Buildings	35,962,780				35,962,780
Building improvements	2,958,673				2,958,673
Improvements other than buildings	2,493,773				2,493,773
Mobile equipment	5,319,185	494,952	34,850	(1,000)	5,778,287
Furniture and equipment	1,590,878	76,609	27,151	20,579	1,660,915
Total depreciable capital assets	48,325,289	571,561	62,001	19,579	48,854,428
<u>Less accumulated depreciation for:</u>					
Buildings	8,043,569	650,204			8,693,773
Building improvements	1,328,164	107,434			1,435,598
Improvements other than buildings	380,831	78,893			459,724
Mobile equipment	3,473,282	302,910	31,365	(257)	3,744,570
Furniture and equipment	1,021,400	130,410	26,879	(9,165)	1,115,766
Total accumulated depreciation	14,247,246	1,269,851	58,244	(9,422)	15,449,431
Total depreciable capital assets, net	34,078,043	(698,290)	3,757	29,001	33,404,997
Governmental activities capital assets, net	\$ 34,301,300	(698,290)	3,757	29,001	33,628,254

Adjustments were made to properly present mobile equipment and furniture and equipment at year end, with the exception of buildings, building improvements, and improvements other than buildings. Adequate documentation to support buildings, building improvements, and other improvements was not available.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 312,510
Support services	810,136
Non-instructional	147,205
Total depreciation expense	\$ 1,269,851

Wayne County School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 - Long-term liabilities

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

		Balance 7-1-2015	Reductions	Balance 6-30-2016	Amount due within one year
A. Limited obligation bonds payable	\$	1,655,000	530,000	1,125,000	555,000
B. Three mill notes payable		1,960,000	230,000	1,730,000	235,000
C. Qualified school construction bonds payable		3,000,000		3,000,000	
D. Compensated absences payable		296,989	60,316	236,673	
Total	\$	<u>6,911,989</u>	<u>820,316</u>	<u>6,091,673</u>	<u>790,000</u>

A. Limited obligation bonds payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Improving Refunding Bonds, Series 2007	3.7-3.86%	02-27-07	11-01-17	\$ <u>4,555,000</u>	<u>1,125,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 555,000	43,147	598,147
2018	<u>570,000</u>	<u>22,002</u>	<u>592,002</u>
Total	\$ <u>1,125,000</u>	<u>65,149</u>	<u>1,190,149</u>

This debt will be retired from the MAEP Retirement Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$4,555,000 in limited obligation refunding bonds payable issued. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through November 1, 2017.

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Annual principal and interest payments on the bonds are expected to require approximately four (4) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$1,190,149. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were \$583,218 and \$16,347,228, respectively.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2012	0.85-2.5%	05-01-12	05-01-23	\$ <u>2,475,000</u>	<u>1,730,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 235,000	37,825	272,825
2018	240,000	33,125	273,125
2019	240,000	28,325	268,325
2020	245,000	23,525	268,525
2021	250,000	18,625	268,625
2022 - 2023	<u>520,000</u>	<u>19,500</u>	<u>539,500</u>
Total	\$ <u>1,730,000</u>	<u>160,925</u>	<u>1,890,925</u>

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

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable 2010A	5.50%	12-01-10	12-01-25	\$ 1,500,000	1,500,000
Qualified school construction bonds payable 2010B	5.25%	12-01-10	12-01-25	1,500,000	1,500,000
				\$ <u>3,000,000</u>	<u>3,000,000</u>

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Year Ending June 30		Principal	Interest	Total
2017	\$		161,250	161,250
2018			161,250	161,250
2019			161,250	161,250
2020			161,250	161,250
2021			161,250	161,250
2022- 2026		3,000,000	806,250	3,806,250
Total	\$	<u>3,000,000</u>	<u>1,612,500</u>	<u>4,612,500</u>

This debt will be retired from the QSCB Debt Retirement Fund (Debt Retirement Fund). The district will make annual payments to a sinking fund maintained by the paying agent (See Note 13). At the end of the term the amount available in the sinking fund will be sufficient to make the balloon payment on the debt.

The School District has pledged a portion of future state Educational Enhancement Funds for Buildings and Buses to repay \$3,000,000 in Qualified School Construction Bonds payable issued. Proceeds from the bonds were used to improve the District's buildings. The bonds are payable in part from the pledge and other District monies and are payable through December 1, 2025. Annual transfers to the escrow agent are expected to require all of such state revenues. The total remaining transfers to be made to the escrow agent are \$2,000,000. Transfers for the current year from the total Educational Enhancement Funds for Buildings and Buses was \$114,726. The total sinking fund deposit made during the current year was \$327,012.

D. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 - Prior Year Defeasance of Debt

In prior years, the Wayne County School District defeased certain limited obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2016, \$575,000 of bonds outstanding are defeased.

Wayne County School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 8 - Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$2,840,764, \$2,752,925, and \$2,635,959, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school district reported a liability of \$43,248,007 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.279777 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.005885percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$4,265,361. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,184,184	\$
Net difference between projected and actual earnings on pension plan investments		2,288,705
Changes of assumptions	3,725,668	
Changes in proportion and differences between District contributions and proportionate share of contributions	310,169	(1,109,688)
District contributions subsequent to the measurement date	2,840,764	
Total	\$ 8,060,785	\$ 1,179,017

\$2,840,764 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Year ending June 30:		
2017	\$	1,357,988
2018		1,328,703
2019		721,695
2020		632,618
Total	\$	<u>4,041,004</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 57,004,835	\$ 43,248,007	\$ 31,832,412

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 9 - Sixteenth Section Lands

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

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2017	\$	36,672
2018		34,609
2019		33,346
2020		30,363
2021		28,203
2022 - 2026		75,911
2027 - 2031		7,629
2032 - 2035		2,481
Total	\$	<u>249,214</u>

Note 10 - Contingencies

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

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. During the fiscal year June 30, 2015, Quitman School District filed a lawsuit against Wayne County School District to recover certain monies that they claim are owed to them relating to royalties from oil wells located on sixteenth section land situated in a shared township. In the opinion of legal counsel, this case will not be settled and expect it to be appealed to the Mississippi Supreme Court and a trial date has not been set as of July 25, 2017.

Note 11 - 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.

Wayne County School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 12 - Insurance Loss Recoveries

The Wayne County School District received \$35,656 in insurance loss recoveries related to school fire and bus damage during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

Note 13 - Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$148,342.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2016 was \$992,359. The amount accumulated in the sinking fund at the end of the fourteen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district, which may impact the final amount required to be deposited to repay the bonds, including actual interest rates received and when the investment is actually compounded.

Wayne County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Year Ending June 30		Amount
2017	\$	200,000
2018		200,000
2019		200,000
2020		200,000
2021		200,000
2022- 2026		1,000,000
Total	\$	<u>2,000,000</u>

Note 14 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$39,987,704) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$8,060,785 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The Sixteenth Section Nonspendable net position amount of \$83,030,598 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from premium on investments. The \$727,718 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the Sixteenth Section Nonspendable net position over the next few years.

The net investment in capital assets net position amount of \$27,873,030 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from charges on refunding of debt. The \$103,550 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the net investment in capital assets net position over the next few years.

The unrestricted net position amount of (\$39,987,704) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$1,179,017 balance of deferred inflow of resources at June 30, 2016 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Wayne County School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 15 - Prior Period Adjustment

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To adjust mobile equipment and furniture and equipment to actual.	\$ 29,001
2. See explanation below.	(380,810)
Total	<u>\$ (351,809)</u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
		\$
General Fund	To correct prior year claims payable.	(4,263)
Other Governmental Funds	To correct prior year claims payable.	(405)
Other Governmental Funds	To adjust receivable	(376,142)
Total		<u>\$ (380,810)</u>

Note 16 - Deficit Fund Balance of Individual Funds

The District Maintenance Fund, included in the General Fund for financial reporting purposes, has a deficit fund balance in the amount of \$4,470,736. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances. Advances in excess of \$5 million were made by the 16th Section Principal Fund to the General Fund.

Note 17 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,730,986	5,821,964	5,821,966	(909,022)	2
State sources	16,985,068	16,309,589	16,309,588	(675,479)	(1)
Federal sources	235,000	544,401	544,400	309,401	(1)
Sixteenth section sources	1,050,358	1,148,977	1,148,978	98,619	1
Total Revenues	<u>25,001,412</u>	<u>23,824,931</u>	<u>23,824,932</u>	<u>(1,176,481)</u>	<u>1</u>
Expenditures:					
Instruction	13,931,698	14,551,407	14,551,404	(619,709)	3
Support services	9,496,953	10,146,292	10,229,987	(649,339)	(83,695)
Noninstructional services	2,416	13,255	13,255	(10,839)	-
Sixteenth section	44,000			44,000	-
Facilities acquisition and construction		83,692		(83,692)	83,692
Debt service:					
Interest	50,000	213,446	213,446	(163,446)	-
Total Expenditures	<u>23,525,067</u>	<u>25,008,092</u>	<u>25,008,092</u>	<u>(1,483,025)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,476,345</u>	<u>(1,183,161)</u>	<u>(1,183,160)</u>	<u>(2,659,506)</u>	<u>1</u>
Other Financing Sources (Uses):					
Bonds and notes issued	480,000			(480,000)	-
Insurance recovery	25,000	5,644	5,644	(19,356)	-
Transfers in	5,051,851	6,734,446	2,442,295	1,682,595	(4,292,151)
Transfers out	(3,006,358)	(6,360,543)	(2,068,392)	(3,354,185)	4,292,151
Total Other Financing Sources (Uses)	<u>2,550,493</u>	<u>379,547</u>	<u>379,547</u>	<u>(2,170,946)</u>	<u>-</u>
Net Change in Fund Balances	<u>4,026,838</u>	<u>(803,614)</u>	<u>(803,613)</u>	<u>(4,830,452)</u>	<u>1</u>
Fund Balances:					
July 1, 2015, as previously reported	(3,303,635)	(3,303,635)	(3,303,634)	-	1
Prior period adjustments	(4,262)	(4,262)	(4,263)	-	(1)
July 1, 2015, as restated	<u>(3,307,897)</u>	<u>(3,307,897)</u>	<u>(3,307,897)</u>	<u>-</u>	<u>-</u>
June 30, 2016	<u>\$ 718,941</u>	<u>(4,111,511)</u>	<u>(4,111,510)</u>	<u>(4,830,452)</u>	<u>1</u>

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

WAYNE COUNTY SCHOOL DISTRICT

Exhibit 2

 Budgetary Comparison Schedule
 School Food Service Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	133,157	133,157	133,157	-
State sources		22,498	22,498	22,498	-
Federal sources		2,199,854	2,199,854	2,199,854	-
Total Revenues	-	2,355,509	2,355,509	2,355,509	-
Expenditures:					
Support services		142,609	142,609	(142,609)	-
Noninstructional services	-	2,085,152	2,085,299	(2,085,152)	(147)
Total Expenditures	-	2,227,761	2,227,908	(2,227,761)	(147)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	127,748	127,601	127,748	(147)
Other Financing Sources (Uses):					
Transfers in		37,717	37,717	37,717	-
Transfers out		(256,308)	(256,308)	(256,308)	-
Total Other Financing Sources (Uses)	-	(218,591)	(218,591)	(218,591)	-
Net Change in Fund Balances	-	(90,843)	(90,990)	(90,843)	(147)
Fund Balances:					
July 1, 2015, as previously reported		914,064	914,064	914,064	-
Prior period adjustment		(265)		(265)	265
July 1, 2015, as restated	-	913,799	914,064	913,799	265
Increase (decrease) in inventory	-	-	(118)	-	(118)
June 30, 2016	\$	822,956	822,956	822,956	-

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

Wayne County School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2016	2015
District's proportion of the net pension liability (asset) \$	43,248,007	33,245,474
District's proportionate share of the net pension liability (asset)	0.279777%	0.273892%
District's covered - employee payroll	17,478,889	16,736,248
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Wayne County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2016	2015
Contractually required contribution	\$ 2,840,764	2,752,925
Contributions in relation to the contractually required contribution	2,840,764	2,752,925
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	18,036,597	17,478,889
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Wayne County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

Wayne County School District**Schedule 1**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 712,268
National School Lunch Program	10.555	1,487,586
Summer Food Service Program for Children	10.559	18,705
Total Child Nutrition Cluster		<u>2,218,559</u>
Total passed-through Mississippi Department of Education		<u>2,218,559</u>
Passed-through Wayne County, Mississippi:		
Schools and Roads - Grants to States	10.665	228,400
Total passed-through Wayne County, Mississippi		<u>228,400</u>
Total U. S. Department of Agriculture		<u>2,446,959</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	71,571
Total U. S. Department of Defense		<u>71,571</u>
<u>U.S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,708,468
Career and Technical Education - Basic Grant to States	84.048	41,790
Rural Education	84.358	61,673
Supporting Effective Instruction State Grant	84.367	418,449
Teacher and School Leader Incentive Grants	84.374	152,538
Subtotal		<u>2,382,918</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	853,455
Special Education - Preschool Grants	84.173	42,886
Total Special Education Cluster		<u>896,341</u>
Total passed-through the Mississippi Department of Education		<u>3,279,259</u>
Total U. S. Department of Education		<u>3,279,259</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	91,108
Total passed-through the Mississippi Department of Education		<u>91,108</u>
Total U.S. Department of Health and Human Services		<u>91,108</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 5,888,897</u>

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

Schedule 2

Wayne County School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 25,321,671	18,658,817	1,317,802	1,713,071	3,631,981
Other	9,330,847	1,686,481	739,814	29,720	6,874,832
Total	<u>\$ 34,652,518</u>	<u>20,345,298</u>	<u>2,057,616</u>	<u>1,742,791</u>	<u>10,506,813</u>
Total number of students *	<u>3,021</u>				
Cost per student	<u>\$ 11,471</u>	<u>6,735</u>	<u>681</u>	<u>577</u>	<u>3,478</u>

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

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

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

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

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

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

Wayne County School District

Notes to the Supplementary Information For the Year Ended June 30, 2016

(1) Schedule of Expenditures of Federal Awards

- a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the school district and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
- b. The pass-through entities did not assign identifying numbers to the school district.
- c. The school district did not elect to use the 10% de minimis indirect cost rate.
- d. Donated commodities of \$134,450 are included in the National School Lunch Program.

(2) Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

- a. This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 5,821,966	5,222,937	5,427,436	5,397,596
State sources	16,309,588	16,257,234	15,997,864	15,232,893
Federal sources	544,400	317,954	339,961	407,560
Sixteenth section sources	1,148,978	852,306	-	-
Total Revenues	<u>23,824,932</u>	<u>22,650,431</u>	<u>21,765,261</u>	<u>21,038,049</u>
Expenditures:				
Instruction	14,551,404	14,623,926	14,325,765	14,244,356
Support services	10,229,987	9,552,551	9,778,086	9,520,463
Noninstructional services	13,255	9,585	17,017	34,996
Facilities acquisition and construction		20,825	-	-
Sixteenth section		8,600	-	1,030
Debt service:				
Interest	213,446	174,509	34,098	16,164
Total Expenditures	<u>25,008,092</u>	<u>24,389,996</u>	<u>24,154,966</u>	<u>23,817,009</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,183,160)</u>	<u>(1,739,565)</u>	<u>(2,389,705)</u>	<u>(2,778,960)</u>
Other Financing Sources (Uses):				
Insurance recovery	5,644	63,123	201,735	5,000
Sale of transportation equipment		-	-	7,982
Sale of other property		13,876	12,750	400
Operating transfers in	2,442,295	1,959,451	5,266,498	2,476,031
Operating transfers out	(2,068,392)	(2,045,102)	(4,870,428)	(1,248,743)
Total Other Financing Sources (Uses)	<u>379,547</u>	<u>(8,652)</u>	<u>610,555</u>	<u>1,240,670</u>
Net Change in Fund Balances	<u>(803,613)</u>	<u>(1,748,217)</u>	<u>(1,779,150)</u>	<u>(1,538,290)</u>
Fund Balances:				
July 1, as previously reported	(3,303,634)	997,271	2,776,421	4,238,521
Prior period adjustment	(4,263)	(2,606,140)	-	76,190
Fund reclassification	-	53,452	-	-
July 1, as restated	<u>(3,307,897)</u>	<u>(1,555,417)</u>	<u>2,776,421</u>	<u>4,314,711</u>
June 30,	<u>\$ (4,111,510)</u>	<u>(3,303,634)</u>	<u>997,271</u>	<u>2,776,421</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

WAYNE COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 6,264,592	6,376,193	6,765,414	5,869,117
State sources	17,518,983	17,377,741	17,262,002	16,945,231
Federal sources	6,127,468	5,771,473	5,128,725	5,654,414
Sixteenth section sources	9,814,599	10,787,110	17,241,739	13,817,015
Total Revenues	<u>39,725,642</u>	<u>40,312,517</u>	<u>46,397,880</u>	<u>42,285,777</u>
Expenditures:				
Instruction	18,062,550	18,406,999	17,568,368	17,441,242
Support services	12,283,545	11,346,380	11,350,154	11,905,713
Noninstructional services	2,144,304	2,158,548	2,144,217	2,189,403
Sixteenth section	927,763	1,386,630	1,688,743	1,312,825
Facilities acquisition and construction		4,232,930	5,636,160	938,913
Debt service:				
Principal	760,000	740,000	710,000	690,000
Interest	470,339	453,455	333,463	340,023
Other	4,017	3,600	2,688	5,337
Total Expenditures	<u>34,652,518</u>	<u>38,728,542</u>	<u>39,433,793</u>	<u>34,823,456</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,073,124</u>	<u>1,583,975</u>	<u>6,964,087</u>	<u>7,462,321</u>
Other Financing Sources (Uses):				
Insurance recovery	35,656	2,503,430	634,372	4,666,085
Payment to QSCB debt escrow agent	327,012	349,376	191,519	200,000
Transfer to QSCB debt escrow agent	(327,012)	(349,376)	(191,519)	(200,000)
Sale of transportation equipment		-	-	7,982
Sale of other property		13,876	12,750	2,419
Operating transfers in	4,663,129	4,119,212	10,415,052	3,724,774
Operating transfers out	(4,663,129)	(4,119,212)	(10,415,052)	(3,724,774)
Total Other Financing Sources (Uses)	<u>35,656</u>	<u>2,517,306</u>	<u>647,122</u>	<u>4,676,486</u>
Net Change in Fund Balances	<u>5,108,780</u>	<u>4,101,281</u>	<u>7,611,209</u>	<u>12,138,807</u>
Fund Balances:				
July 1, as previously reported	77,807,282	74,410,153	66,794,193	54,590,417
Prior period adjustments	(380,810)	(688,936)	-	61,441
July 1, as restated	<u>77,426,472</u>	<u>73,721,217</u>	<u>66,794,193</u>	<u>54,651,858</u>
Increase (Decrease) in inventory	(118)	(15,216)	4,751	3,528
June 30,	<u>\$ 82,535,134</u>	<u>77,807,282</u>	<u>74,410,153</u>	<u>66,794,193</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wayne County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Wayne County School District's basic financial statements, and have issued our report thereon dated July 25, 2017. Our report differed from the standard report because the Wayne County School District did not maintain adequate records for capital assets related to buildings, building improvements, and improvements other than buildings resulting in a qualified opinion on the governmental activities opinion unit. Our report also differed from the standard report because the Wayne County School District did not maintain adequate records for supporting amounts presented for due to/from other funds resulting in a qualified opinion on the General Fund, School Food Service Fund, Sixteenth Section Principal Fund and the Aggregate Remaining Fund Information opinion units.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. We did identify certain the deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2016-001 and 2016-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Wayne County School District's, in the Independent Auditor's Report on Compliance with State Laws and Regulations dated July 25, 2017, included with this document.

Wayne County School District's Response to Findings

Wayne County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. The Wayne County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
July 25, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Superintendent and School Board
Wayne County School District

Report on Compliance for Each Major Federal Program

We have audited Wayne County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wayne County School District's major federal programs for the year ended June 30, 2016. The Wayne County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wayne County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the Wayne County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Wayne County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wayne County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
July 25, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
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, 2016, which collectively comprise the Wayne County School District's basic financial statements and have issued our report thereon dated July 25, 2017. 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. Our report differed from the standard report because the Wayne County School District did not maintain adequate records for capital assets related to buildings, building improvements, and improvements other than buildings resulting in a qualified opinion on the governmental activities opinion unit. Our report also differed from the standard report because the Wayne County School District did not maintain adequate records for supporting amounts presented for due to/from other funds resulting in a qualified opinion on the General Fund, School Food Service Fund, Sixteenth Section Principal Fund and the Aggregate Remaining Fund Information opinion units.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and

regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations.

Finding 1:

Criteria:

Section 37-61-19, Miss. Code Ann. (1972), states that it shall be the duty of the Superintendent and school board members to limit the expenditure of school funds during the fiscal year to the resources available.

Condition:

The District Maintenance Fund has a deficit ending fund balance totaling \$4,470,736.

Cause:

Noncompliance occurred with the District not properly reconciling expenditures with available resources.

Effect:

Noncompliance with Section 37-61-19, Miss. Code Ann. (1972), resulted in the District violating state laws regarding limiting expenditures to resources available for each fiscal year.

Recommendation:

We recommend the District implement policies and procedures to ensure compliance with Section 37-61-19, Miss. Code Ann. (1972).

Response:

The District will implement policies and procedures to ensure compliance with Section 37-61-19, Miss. Code Ann. (1972).

Finding 2:

Criteria:

Section 37-61-19, Miss. Code Ann. (1972), requires the Mississippi School Districts to budget by fund.

Condition:

The district did not provide evidence of the original budget for the School Food Service Fund.

Cause:

During the course of the audit, the district was unable to locate the original combining budget.

Recommendation:

The District should comply with Miss. Code Section 37-61-19.

Response:

The District will comply with Miss. Code Section 37-61-19.

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 ensure that corrective action has been taken.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 25, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Wayne County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued:

Governmental Activities	Qualified
General Fund	Qualified
School Food Service Fund	Qualified
Sixteenth Section Principal Fund	Qualified
Aggregate Remaining Fund Information	Qualified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weaknesses:

Finding 2016-001

Criteria:

A sound system of internal controls should be in place to ensure all assets are properly recorded according to the *Financial Accounting Manual for Mississippi Public School Districts*.

Condition:

The District failed to capitalize all construction cost including architect, engineering and consultants fees.

Effect:

As a result, various audit adjustments were made to properly present mobile equipment and furniture and equipment. Also it resulted in us issuing a qualified opinion on buildings, building improvements and improvements other than buildings.

Cause:

The District lacks appropriate knowledge of capital asset procedures.

Recommendation:

The District should implement controls and procedures to monitor, properly record and maintain adequate records of capitalization of projects. Personnel should be adequately trained to ensure these policies and procedures are being enforced.

Finding 2016-002

Criteria:

An effective system of internal control over interfund loans requires that fund loans received from one fund have a reciprocal fund in which the amount of funds are due.

Condition:

Due to/from funds overall seemed to balance. However, details of individual transactions between funds were not provided during audit procedures performed.

Cause:

Loans were not properly documented detailing the individual loans.

Effect:

The District lacks internal control procedures to ensure that proper documentation was maintained. It resulted in a qualification of opinion on the General Fund, School Food Service Fund, Sixteenth Section Principal Fund and Aggregate Remaining Fund Information.

Recommendation:

The School Board should implement appropriate control procedures to ensure that interfund loans are properly documented.

Section III: Federal Award Findings and Questioned Costs

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

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



Wayne County School District

Preparing Tomorrow's Leaders Today



Superintendent of Education

Bobby Jones

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Wilma Taylor, District 2

George Alsworth, District 3

Al Smith, District 4

Robert Dean, District 5

Deputy Superintendent

Tyrone Marshall

Board Attorney

Marcus Evans

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Wayne County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2016:

Finding

Corrective Action Plan Details

2016-001

a. Name of Contact Person Responsible for Corrective Action

Name: Patrick Busby and Sue Graham, Fixed Assets.

Phone Number: 601-735-4871

b. Corrective Action Planned:

We have trained the Fixed Asset Clerk, and put procedures in place to monitor and properly record the capitalization of all projects.

c. Anticipated Completion Date: Immediately. We are currently implementing procedures to record and correct all projects in the school district correctly.

2016-002

a. Name of Contact Person Responsible for Corrective Action

Name: Patrick Busby

Phone Number: 601-735-4871

b. Corrective Action Planned:

All interfund loans will be properly documented in a detailed matter. The reciprocal fund will be noted and corrected on all current interfund loans.



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- c. Anticipated Completion Date:
Correction of identifying interfund loans, will began
immediately.



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SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Wayne County School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2016:

<u>Finding</u>	<u>Status</u>
2015-003	Corrected