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WAYNE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2017

# WAYNE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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### INDEPENDENT AUDITOR'S REPORT

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, 2017, 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 our 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 modified audit opinions.

#### **Summary of Opinions**

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

### **Basis for Qualified Opinion on the Governmental Activities**

The Wayne County School District did not properly record entries relating to the Sixteenth Section Principal Trust fund loans that have a material effect on the cash and cash equivalent and restricted assets for governmental activities. Due to the significance of this matter with the Wayne County School District's records, we were unable to satisfy ourselves as to the fair presentation of the cash and cash equivalents and the restricted assets.

### **Basis for Adverse Opinion on the General Fund and Sixteenth Section Principal Fund**

The Wayne County School District did not properly record the amounts due for Sixteenth Section Principal Trust Fund loans that were presented for due to/from other funds and advances to and from for general fund and sixteenth section principal fund information. Having obtained sufficient audit evidence, we conclude that misstatements are both material and pervasive to the financial statements. 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 and advances to/from other funds.

### **Basis for Qualified Opinion on the Food Service Fund and the Aggregate Remaining Fund Information**

The Wayne County School District did not maintain or record adequate records for supporting amounts presented for due to/from other funds for the food service 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, 2017, 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.

### **Adverse Opinions**

In our opinion, because of the significance and pervasiveness of the matter discussed in the "Basis for Adverse Opinion on the General Fund and Sixteenth Section Principal Fund" paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the General Fund and Sixteenth Section Principal Fund information of the Wayne County School District, as of June 30, 2017, 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.

### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Food Service Fund and Aggregate Remaining funds" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position Food Service Fund and the Aggregate Remaining funds of the Wayne County School District, as of June 30, 2017, 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.

### **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 5-13 and 43-47 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 November 21, 2019, 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 the effectiveness of the Wayne County School District's 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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
November 21, 2019





## MANAGEMENT'S DISCUSSION AND ANALYSIS

WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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, 2017. 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 2017 decreased \$6,937,331, including a prior period adjustment of (\$2,383,994), which represents a 9% decrease from fiscal year 2016. 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.
- General revenues amounted to \$28,223,087 and \$32,315,577, or 80% and 81% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,247,223, or 20% of total revenues for 2017, and \$7,410,065, or 19% of total revenues for 2016.
- The District had \$40,023,647 and \$35,936,254 in expenses for fiscal years 2017 and 2016; only \$7,247,223 for 2017 and \$7,410,065 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$28,223,087 for 2017 were not adequate to provide for these programs and \$32,315,577 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$23,512,995 in revenues and \$27,197,199 in expenditures for 2017, and \$23,824,932 in revenues and \$25,008,092 in expenditures in 2016. The General Fund's fund balance decreased by \$9,963,405, including a prior period adjustment of (\$6,112,090) from 2016 to 2017, and decreased by \$807,876, including a prior period adjustment of (\$4,263) from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$1,355,846, including a prior period adjustment of (\$43,368) for 2017 and decreased by \$673,046, including a prior period adjustment of \$29,001 for 2016. The decrease for 2017 was due primarily to normal depreciation, disposals, and adjustments to prior year balances.
- Long-term debt increased by \$272,318 for 2017 and decreased by \$760,000 for 2016. The increase for 2017 was due primarily to a limited tax note addition. The liability for compensated absences increased by \$62,318 for 2017 and decreased by \$60,316 for 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 non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, 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

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Management's Discussion and Analysis  
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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.

**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.

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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.

A net pension liability results in a liability on the government-wide financial statements but is not reported 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 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 additional major special revenue fund as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by 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.

## **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 \$66,760,363 as of June 30, 2017.

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.

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Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 2,100,841	\$ 3,812,094	(44.89) %
Restricted assets	87,644,284	79,660,296	10.02 %
Capital assets, net	32,272,408	33,628,254	(4.03) %
<b>Total assets</b>	<b>122,017,533</b>	<b>117,100,644</b>	<b>4.20 %</b>
<b>Deferred outflows of resources</b>	<b>11,446,860</b>	<b>8,892,053</b>	<b>28.73 %</b>
Current liabilities	1,846,678	1,772,532	4.18 %
Cash Deficit balance	7,949,748	0	N/A %
Long-term debt outstanding	6,370,041	6,095,447	4.50 %
Net pension liability	50,362,060	43,248,007	16.45 %
<b>Total liabilities</b>	<b>66,528,527</b>	<b>51,115,986</b>	<b>30.15 %</b>
<b>Deferred inflows of resources</b>	<b>175,503</b>	<b>1,179,017</b>	<b>(85.11) %</b>
<b>Net position:</b>			
Net investment in capital assets	27,290,115	27,873,030	(2.09) %
Restricted	94,632,214	85,811,368	10.28 %
Unrestricted	(55,161,966)	(39,986,704)	(37.95) %
<b>Total net position</b>	<b>\$ 66,760,363</b>	<b>\$ 73,697,694</b>	<b>(9.41) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (55,161,966)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	39,788,060
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ (15,373,906)</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 \$1,355,846.
- The addition of \$1,000,000 and principal retirement of \$790,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$50,362,060.
- Audit finding 2017-002 which caused Cash Deficit balance in the General fund of (\$7,949,748).

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**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$35,470,310 and \$39,725,642, respectively. The total cost of all programs and services was \$40,023,647 for 2017 and \$35,936,254 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

**Table 2**  
**Changes in Net Position**

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,182,959	\$ 1,084,927	9.04 %
Operating grants and contributions	6,064,264	6,325,138	(4.12) %
General revenues:			
Property taxes	5,294,479	4,975,114	6.42 %
Grants and contributions not restricted	16,999,188	17,321,313	(1.86) %
Investment earnings	3,608,923	5,007,510	(27.93) %
Sixteenth section sources	2,043,052	4,731,662	(56.82) %
Other	277,445	279,978	(0.90) %
<b>Total revenues</b>	<b>35,470,310</b>	<b>39,725,642</b>	<b>(10.71) %</b>
<b>Expenses:</b>			
Instruction	17,047,744	16,402,025	3.94 %
Support services	12,767,978	11,657,510	9.53 %
Non-instructional	2,246,327	2,196,293	2.28 %
Sixteenth section	781,861	927,763	(15.73) %
Pension expense	6,425,074	4,265,361	50.63 %
Interest on long-term liabilities	754,663	487,302	54.87 %
<b>Total expenses</b>	<b>40,023,647</b>	<b>35,936,254</b>	<b>11.37 %</b>
<b>Increase (Decrease) in net position</b>	<b>(4,553,337)</b>	<b>3,789,388</b>	<b>(220.16) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>73,697,694</b>	<b>70,260,115</b>	<b>4.89 %</b>
<b>Prior Period Adjustment</b>	<b>(2,383,994)</b>	<b>(351,809)</b>	<b>(577.64) %</b>
<b>Net Position, July 1, as restated</b>	<b>71,313,700</b>	<b>69,908,306</b>	<b>2.01 %</b>
<b>Net Position, June 30</b>	<b>\$ 66,760,363</b>	<b>\$ 73,697,694</b>	<b>(9.41) %</b>

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**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**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 17,047,744	\$ 16,402,025	3.94 %
Support services	12,767,978	11,657,510	9.53 %
Non-instructional	2,246,327	2,196,293	2.28 %
Sixteenth section	781,861	927,763	(15.73) %
Pension Expense	6,425,074	4,265,361	50.63 %
Interest on long-term liabilities	754,663	487,302	54.87 %
<b>Total expenses</b>	<b>\$ 40,023,647</b>	<b>\$ 35,936,254</b>	<b>11.37 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ (13,736,701)	\$ (12,798,507)	(7.33) %
Support services	(11,382,906)	(10,229,426)	(11.28) %
Non-instructional	224,133	74,392	201.29 %
Sixteenth section	(701,213)	(819,985)	14.48 %
Pension Expense	(6,425,074)	(4,265,361)	(50.63) %
Interest on long-term liabilities	(754,663)	(487,302)	(54.87) %
<b>Total net (expense) revenue</b>	<b>\$ (32,776,424)</b>	<b>\$ (28,526,189)</b>	<b>(14.90) %</b>

- Net cost of governmental activities (\$32,776,424 for 2017 and \$28,526,189 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$5,294,479 for 2017 and \$4,975,114 for 2016) and state and federal revenues (\$16,999,188 for 2017 and \$17,321,313 for 2016). In addition, there was \$2,043,052 and \$4,731,662 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$3,608,923 for 2017 and \$5,007,510 for 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.

WAYNE COUNTY SCHOOL DISTRICT  
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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 \$80,667,481, a decrease of \$1,867,653, which includes a prior period adjustment of (\$2,340,626) and a increase in inventory of \$3,191. The unassigned fund balance is (\$15,434,141), which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$96,101,622 is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 \$9,963,405, which includes a prior period adjustment of (\$6,112,090). The fund balance of Other Governmental Funds showed a increase in the amount of \$60,707, which includes a increase in inventory of \$1,275. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Food Service Fund	\$ (15,059)
16th Section Principal Fund	\$ 8,050,104

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$48,448,239, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$629,446 from 2016 due primarily to the disposal of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2017, was \$16,175,831, and total depreciation expense for the year was \$1,267,566, resulting in total net capital assets of \$32,272,408.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 223,257	\$ 223,257	0.00 %
Buildings	26,560,054	27,269,007	(2.60) %
Building improvements	1,391,291	1,523,075	(8.65) %
Improvements other than buildings	1,928,128	2,034,049	(5.21) %
Mobile equipment	1,737,467	2,033,717	(14.57) %
Furniture and equipment	432,211	545,149	(20.72) %
<b>Total</b>	<b><u>\$ 32,272,408</u></b>	<b><u>\$ 33,628,254</u></b>	<b><u>(4.03) %</u></b>

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



WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**Debt Administration.** At June 30, 2017, the District had \$6,363,991 in outstanding long-term debt, of which \$869,950 is due within one year. During the fiscal year, the District made principal payments totaling \$790,000 on outstanding long-term debt. The liability for compensated absences increased \$62,318 from the prior year.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Limited obligation refunding bonds payable	570,000	1,125,000	(49.33) %
Three mill notes payable	2,495,000	1,730,000	44.22 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	298,991	236,673	26.33 %
<b>Total</b>	<b><u>\$ 6,363,991</u></b>	<b><u>\$ 6,091,673</u></b>	<b><u>4.47 %</u></b>

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

## **CURRENT ISSUES**

The Wayne County School District is not currently financially stable due to the low amount of working cash available. The district has recently obtained a tax anticipation note to help fund current needs. The District is proud of its community support of the public schools.

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

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

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Wayne County School District, 810 Chickasawhay Street, Waynesboro, MS 39367.

## FINANCIAL STATEMENTS

**Statement of Net Position**  
**June 30, 2017**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ -
Due from other governments	1,512,554
Inventories	18,424
Accrued interest receivable	200,855
Other receivables, net	369,008
Restricted assets	87,644,284
Capital assets, non-depreciable:	
Land	223,257
Capital assets, net of accumulated depreciation:	
Buildings	26,560,054
Building improvements	1,391,291
Improvements other than buildings	1,928,128
Mobile equipment	1,737,467
Furniture and equipment	432,211
Total Assets	<u>122,017,533</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	88,757
Deferred outflow on investments	608,600
Deferred outflow related to pensions	10,749,503
Total Deferred Outflows of Resources	<u>11,446,860</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,692,677
Cash Deficit balance	7,949,748
Unearned revenue	43,819
Interest payable on long-term liabilities	110,182
Long-term liabilities, due within one year:	
Capital related liabilities	855,000
Non-capital related liabilities	14,950
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,210,000
Capital related bond premiums	9,992
Capital related bond discounts	(3,942)
Non-capital related liabilities	284,041
Net pension liability	50,362,060
Total Liabilities	<u>66,528,527</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	175,503
Total Deferred Inflows of Resources	<u>175,503</u>
<b>Net Position</b>	
Net investment in capital assets	27,290,115
Restricted for:	
Expendable:	
School-based activities	809,172
Debt service	1,836,448
Forestry improvements	104,116
Unemployment benefits	74,058
Non-expendable:	
Sixteenth section	91,808,420
Unrestricted	(55,161,966)
Total Net Position (deficit)	<u>\$ 66,760,363</u>

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

# WAYNE COUNTY SCHOOL DISTRICT

## Statement of Activities For the Year Ended June 30, 2017

## Exhibit B

				Net (Expense)
				Revenue and Changes in Net Position
Program Revenues				
Operating				
Charges for				Governmental
Functions/Programs	Expenses	Services	Grants and Contributions	Activities
Governmental Activities:				
Instruction	\$ 17,047,744	\$ 959,643	\$ 2,351,400	\$ (13,736,701)
Support services	12,767,978	-	1,385,072	(11,382,906)
Non-instructional	2,246,327	142,668	2,327,792	224,133
Sixteenth section	781,861	80,648	-	(701,213)
Pension expense	6,425,074	-	-	(6,425,074)
Interest on long-term liabilities	754,663	-	-	(754,663)
Total Governmental Activities	\$ 40,023,647	\$ 1,182,959	\$ 6,064,264	\$ (32,776,424)

### General Revenues:

#### Taxes:

General purpose levies 5,294,479

#### Unrestricted grants and contributions:

State 16,547,592

Federal 451,596

Unrestricted investment earnings 3,608,923

Sixteenth section sources 2,043,052

Other 277,445

Total General Revenues 28,223,087

Change in Net Position (4,553,337)

Net Position - Beginning, as previously reported 73,697,694

Prior Period Adjustments (2,383,994)

Net Position - Beginning, as restated 71,313,700

Net Position - Ending \$ 66,760,363

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

**WAYNE COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Balance Sheet**  
**June 30, 2017**

**Exhibit C**

	Major Funds					
	General Fund	Food Service Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 124,075	\$ 9,183,742	\$ 439,551	\$ 9,747,368	
Cash with fiscal agents	-	-	2,283,163	526,963	2,810,126	
Investments	-	-	73,450,565	1,199,851	74,650,416	
Due from other governments	368,485	-	-	1,136,756	1,505,241	
Accrued interest receivable	-	-	197,719	3,136	200,855	
Other receivables, net	369,008	-	-	-	369,008	
Due from other funds	828,418	754,768	-	415	1,583,601	
Advance to other funds	-	-	6,247,038	-	6,247,038	
Inventories	-	17,149	-	1,275	18,424	
Total assets	\$ 1,565,911	\$ 895,992	\$ 91,362,227	\$ 3,307,947	\$ 97,132,077	
<b>Deferred Outflows of Resources</b>						
Deferred premium on investments	\$ -	\$ -	\$ 608,600	\$ -	\$ 608,600	
Total deferred outflows of resources	-	-	608,600	-	608,600	
Total Assets and Deferred Outflows of Resources	\$ 1,565,911	\$ 895,992	\$ 91,970,827	\$ 3,307,947	\$ 97,740,677	
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,125,231	\$ 88,095	\$ 162,407	\$ 316,944	\$ 1,692,677	
Cash Deficit balance	7,513,374	-	-	-	7,513,374	
Due to other funds	755,183	-	-	821,105	1,576,288	
Advances from other funds	6,247,038	-	-	-	6,247,038	
Unavailable revenue - federal programs	-	-	-	43,819	43,819	
Total Liabilities	15,640,826	88,095	162,407	1,181,868	17,073,196	
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	17,149	-	1,275	18,424	
Advances	-	-	6,247,038	-	6,247,038	
Permanent fund principal	-	-	85,561,382	-	85,561,382	
<b>Restricted:</b>						
Debt service	-	-	-	1,946,630	1,946,630	
Capital improvements	1,000,000	-	-	-	1,000,000	
Forestry improvement purposes	-	-	-	104,116	104,116	
Food service	-	790,748	-	-	790,748	
Unemployment benefits	-	-	-	74,058	74,058	
<b>Assigned:</b>						
Activity funds	359,226	-	-	-	359,226	
<b>Unassigned</b>						
	(15,434,141)	-	-	-	(15,434,141)	
Total Fund Balances	(14,074,915)	807,897	91,808,420	2,126,079	80,667,481	
Total Liabilities and Fund Balances	\$ 1,565,911	\$ 895,992	\$ 91,970,827	\$ 3,307,947	\$ 97,740,677	

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

**WAYNE COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2017**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 80,667,481**

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

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

Land	\$ 223,257	
Buildings	35,962,779	
Building improvements	2,932,723	
Improvements other than buildings	2,493,773	
Mobile equipment	5,273,458	
Furniture and equipment	1,562,249	
Accumulated depreciation	<u>(16,175,831)</u>	32,272,408

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(50,362,060)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	10,749,503	
Deferred inflows of resources related to pensions	<u>(175,503)</u>	(39,788,060)

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

Limited obligation refunding bonds	(570,000)	
Three mill notes payable	(2,495,000)	
Qualified school construction bonds payable	(3,000,000)	
Compensated absences	(298,991)	
Unamortized charges	88,757	
Unamortized premiums	(9,992)	
Unamortized discounts	3,942	
Accrued interest payable	<u>(110,182)</u>	(6,391,466)

<b>Net Position of governmental activities</b>	<b>\$ <u>66,760,363</u></b>
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The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2017**

**Exhibit D**

	Major Funds					
	General Fund	Food Service Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 6,255,055	\$ 146,065	\$ -	\$ 307,982	\$ 6,709,102	
State sources	15,983,925	23,068	-	1,197,405	17,204,398	
Federal sources	629,886	2,433,201	-	2,795,967	5,859,054	
Sixteenth section sources	644,129	-	4,972,206	81,421	5,697,756	
Total Revenues	23,512,995	2,602,334	4,972,206	4,382,775	35,470,310	
<b>Expenditures:</b>						
Instruction	15,863,821	-	-	3,027,611	18,891,432	
Support services	10,813,856	175,912	-	1,524,094	12,513,862	
Noninstructional services	20,678	2,216,866	-	50,859	2,288,403	
Sixteenth section	-	-	693,566	88,295	781,861	
Debt service:						
Principal	-	-	-	790,000	790,000	
Interest	498,844	-	-	231,650	730,494	
Other				4,476	4,476	
Total Expenditures	27,197,199	2,392,778	693,566	5,716,985	36,000,528	
Excess (Deficiency) of Revenues over (under) Expenditures	(3,684,204)	209,556	4,278,640	(1,334,210)	(530,218)	
<b>Other Financing Sources (Uses):</b>						
Bonds and notes issued	1,000,000	-	-	-	1,000,000	
Operating transfers in	232,370	11,113	-	1,520,088	1,763,571	
Payments held by escrow agent	-	-	-	196,091	196,091	
Operating transfers out	(1,399,481)	(237,644)	-	(126,446)	(1,763,571)	
Payment to qualified school construction bond escrow agent	-	-	-	(196,091)	(196,091)	
Total Other Financing Sources (Uses)	(167,111)	(226,531)	-	1,393,642	1,000,000	
Net Change in Fund Balances	(3,851,315)	(16,975)	4,278,640	59,432	469,782	
<b>Fund Balances:</b>						
July 1, 2016, as previously reported	(4,111,510)	822,956	83,758,316	2,065,372	82,535,134	
Prior period adjustments	(6,112,090)	-	3,771,464	-	(2,340,626)	
July 1, 2016, as restated	(10,223,600)	822,956	87,529,780	2,065,372	80,194,508	
Increase (Decrease) in inventory	-	1,916	-	1,275	3,191	
June 30, 2017	\$ (14,074,915)	\$ 807,897	\$ 91,808,420	\$ 2,126,079	\$ 80,667,481	

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

**WAYNE COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2017**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 469,782**

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 83,489	
Depreciation expense	<u>(1,267,566)</u>	(1,184,077)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
		(128,401)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(1,000,000)	
Payments of debt principal	790,000	
Accrued interest payable	<u>(2,624)</u>	(212,624)
4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
Recording of pension expense for the current period	(6,425,074)	
Recording of contributions made subsequent to the measurement date	<u>3,003,253</u>	(3,421,821)
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(62,318)	
Change in inventory	3,191	
Amortization of deferred charges, premiums and discounts	<u>(17,069)</u>	(76,196)
<b>Change in Net Position of governmental activities</b>		<b><u>\$ (4,553,337)</u></b>

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



<b>WAYNE COUNTY SCHOOL DISTRICT</b> <b>Fiduciary Funds</b> <b>Statement of Fiduciary Assets and Liabilities</b> <b>June 30, 2017</b>	<b>Exhibit E</b>
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	Agency Funds
	<hr/>
<b>Assets</b>	
Cash and cash equivalents	\$ 456,641
Total Assets	<hr/> <hr/>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	313,029
Due to other funds	7,314
Due to student clubs	<hr/> 136,298
Total Liabilities	<hr/> <hr/> 456,641

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

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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

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

**A. Financial Reporting Entity**

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

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

**B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

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

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

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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.

Food Service Fund - This is a special revenue fund that accounts for the revenues and expenditures associated with the school breakfast and lunch programs.

Sixteenth Section Principal Fund – This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Principal Fund. Those revenues include but are not limited to, sales of non-renewable resources, easements, interest on investments, loans to the district, and transfers.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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

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

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**D. Encumbrances**

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are reported for governmental fund types since the payments of such items reflect costs applicable to future accounting periods.

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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 Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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

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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions, a deferred outflow on investments, and a deferred outflow for advance refunding of debt. See Note 13 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate

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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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 13 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 details.

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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Non-spendable 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.

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general 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. See note 15 for more detail on the districts restoration plan.

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

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest



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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 \$2,233,994 and \$456,641, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of (\$7,949,748) and a portion of restricted assets in the amount of \$87,644,284 (see Note 4).

*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, 2017, none of the district's bank balance of \$3,530,422 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 \$2,810,126.

#### Investments

As of June 30, 2017, the district had the following investments.

Investment Type	Rating	<u>Maturities (in years)</u>	Fair Value
Certificates of deposit	N/A	More than one year	\$ 1,022,715
U.S. Government Bonds	AAA	More than one year	65,761,269
U.S. Government Bonds	AAA	More than one year	6,666,581
U.S. Government Bonds	AAA	More than one year	1,199,851
Total			<u>\$ 74,650,416</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 inputs.

The School Board has the following recurring fair value measurements as of June 30, 2017:

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- Level 1 type of investments of \$74,650,416 are valued using quoted market prices (Level 1 inputs)

*Interest Rate Risk.* The district does not have a formal investment policy that limits investments 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, 2017, 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.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 821,105
	Fiduciary Funds	7,314
Food Service Fund	General Fund	754,768
Other Governmental Funds	General Fund	415
Total		<u>\$ 1,583,602</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

#### B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 6,247,038
Total		<u>\$ 6,247,038</u>

Sixteenth section principal loans payable

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

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The following is a schedule by years of the total payments due on this debt according to the original amortization schedules presented by the district. However, the district stopped making payments to all loans in fiscal years 2015 and 2016, see finding and associated modified opinion. The unpaid balances of principal and capitalized interest (owed from PY) is also shown in the table below:

Year Ending June 30	Principal	Interest	Total
Previous periods in Default	\$ 1,039,778	\$ -	\$ 1,039,778
2018	361,127	208,290	569,417
2019	375,573	193,845	569,418
2020	357,761	178,822	536,583
2021	335,030	164,512	499,542
2022	348,431	151,111	499,542
2023-2027	1,427,211	557,754	1,984,965
2028-2032	1,331,735	298,062	1,629,797
2033-2035	670,392	44,071	714,463
Total	<u>\$ 6,247,038</u>	<u>\$ 1,796,467</u>	<u>\$ 8,043,505</u>

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 1,399,481
Food Service Fund	General Fund	231,598
Food Service Fund	Other governmental funds	6,046
Other governmental funds	Food Service Fund	11,113
Other governmental funds	General Fund	772
Other governmental funds	Other governmental funds	114,561
Total		<u>\$ 1,763,571</u>

Operating transfers were primarily for the following: indirect cost transfers, the transfer of expendable sixteenth section sources, unemployment compensation transfers, and other routine operating transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash, cash with fiscal agents, and investment balances totaling \$9,183,742, 2,283,163 and \$73,450,565, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$513,355 of the MAEP Retirement Fund.

In addition, the restricted assets represent the cash with fiscal agents and investment balance of \$13,608 and \$1,199,851, respectively, of the QSCB Debt Retirement Fund. Restricted assets also represent \$1,000,000 cash balance in capital related debt in the General fund that is unspent at June 30, 2017.

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**Note 5 – Capital Assets**

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 223,257	\$ -	\$ -	\$ -	\$ 223,257
Total non-depreciable capital assets	223,257	-	-	-	223,257
<u>Depreciable capital assets:</u>					
Buildings	35,962,780	-	-	(1)	35,962,779
Building improvements	2,958,673	-	-	(25,950)	2,932,723
Improvements other than buildings	2,493,773	-	-	-	2,493,773
Mobile equipment	5,778,287	27,565	(532,394)	-	5,273,458
Furniture and equipment	1,660,915	55,924	(177,430)	22,840	1,562,249
Total depreciable capital assets	48,854,428	83,489	(709,824)	(3,111)	48,224,982
<u>Less accumulated depreciation for:</u>					
Buildings	8,693,773	678,271	-	30,681	9,402,725
Building improvements	1,435,598	106,353	-	(519)	1,541,432
Improvements other than buildings	459,724	91,041	-	14,880	565,645
Mobile equipment	3,744,570	272,803	(479,155)	(2,227)	3,535,991
Furniture and equipment	1,115,766	119,098	(102,268)	(2,558)	1,130,038
Total accumulated depreciation	15,449,431	1,267,566	(581,423)	40,257	16,175,831
Total depreciable capital assets, net	33,404,997	(1,184,077)	(128,401)	(43,368)	32,049,151
Governmental activities capital assets, net	\$ 33,628,254	\$ (1,184,077)	\$ (128,401)	\$ (43,368)	\$ 32,272,408

Adjustments were made to properly present buildings, buildings improvements, improvements other than buildings, mobile equipment, and furniture and equipment at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 224,227
Support services	935,177
Non-instructional	108,162
Total depreciation expense - Governmental activities	<u>\$ 1,267,566</u>

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**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Limited obligation bonds payable	1,125,000	-	(555,000)	570,000	570,000
B. Three mill notes payable	1,730,000	1,000,000	(235,000)	2,495,000	285,000
C. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	
D. Compensated absences payable	236,673	62,318	-	298,991	14,950
Total	<u>\$ 6,091,673</u>	<u>\$ 1,062,318</u>	<u>\$ (790,000)</u>	<u>\$ 6,363,991</u>	<u>\$ 869,950</u>

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement					
Improving Refunding Bonds Series 2007	3.7-3.86%	2/27/2007	11/1/2017	\$ 4,555,000	\$ 570,000
Total				<u>\$ 4,555,000</u>	<u>\$ 570,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	570,000	22,002	592,002
Total	<u>\$ 570,000</u>	<u>\$ 22,002</u>	<u>\$ 592,002</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 on 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  
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**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 payable, Series 2012	0.85-2.5%	5/1/2012	5/1/2023	\$ 2,475,000	\$ 1,495,000
Limited tax notes payable, Series 2017	2.60%	3/27/2017	5/1/2026	1,000,000	1,000,000
Total				<u>\$ 3,475,000</u>	<u>\$ 2,495,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
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	260,000	13,000	273,000
2023	260,000	6,500	266,500
Total	<u>\$ 1,495,000</u>	<u>\$ 123,100</u>	<u>\$ 1,618,100</u>

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

2. Three mill notes issue March 27, 2017:

Year Ending June 30	Principal	Interest	Total
2018	45,000	26,200	71,200
2019	50,000	25,021	75,021
2020	50,000	23,711	73,711
2021	50,000	22,401	72,401
2022	50,000	21,091	71,091
2023-2026	755,000	50,304	805,304
Total	<u>\$ 1,000,000</u>	<u>\$ 168,728</u>	<u>\$ 1,168,728</u>

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

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Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	285,000	59,325	344,325
2019	290,000	53,346	343,346
2020	295,000	47,236	342,236
2021	300,000	41,026	341,026
2022	310,000	34,091	344,091
2023-2026	1,015,000	56,804	1,071,804
Total	<u>\$ 2,495,000</u>	<u>\$ 291,828</u>	<u>\$ 2,786,828</u>

**C. Qualified school construction bonds payable**

As more fully explained in Note 12, 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 bond payable 2010A	5.50%	12/1/2010	12/1/2025	\$ 1,500,000	\$ 1,500,000
Qualified school construction bond payable 2010B	5.25%	12/1/2010	12/1/2025	1,500,000	1,500,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

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

Qualified school construction bonds issued of December 1, 2010:

Year Ending June 30	Principal	Interest	Total
2018	-	161,250	161,250
2019	-	161,250	161,250
2020	-	161,250	161,250
2021	-	161,250	161,250
2022	-	161,250	161,250
2023-2026	3,000,000	645,000	3,645,000
Total	<u>\$ 3,000,000</u>	<u>\$ 1,451,250</u>	<u>\$ 4,451,250</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 12). At the end of the term the amount available in the sinking fund will be sufficient to make the balloon payment on the debt.

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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.

**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 – 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, 2017 was 15.75% of annual covered payroll. Plan provisions 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



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PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$3,003,253, \$2,840,764 and \$2,752,925, 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, 2017, the school district reported a liability of \$50,362,060 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 0.281943 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.002166 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$6,425,074. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,397,195	\$
Net difference between projected and actual earnings on pension plan investments	3,467,921	
Changes of assumptions	2,355,937	133,828
Changes in proportion and differences between District contributions and proportionate share of contributions	525,197	41,675
District contributions subsequent to the measurement date	3,003,253	
Total	\$ <u>10,749,503</u>	\$ <u>175,503</u>

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

\$3,003,253 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 2,689,777
2019	2,082,769
2020	1,803,289
2021	994,912
Total	<u>7,570,747</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 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, 2016 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:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
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	<u>100</u>	<u>%</u>		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. 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 the current employer contribution 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 members. 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.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

*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	\$ 64,575,452	\$ 50,362,060	\$ 38,569,551

*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 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2018	103,348
2019	71,954
2020	45,320
2021	29,197
2022	24,496
2023-2027	45,676
2028-2032	6,817
2033-2037	1,383
Total	<u>\$ 328,191</u>

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Note 9 – Prior Period Adjustments**

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

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct fund balances at the governmental fund level	(2,340,626)
2 To correct capital asset balances	(43,368)
Total	<u>\$ (2,383,994)</u>

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

Fund	Explanation	Amount
General Fund	To correct fund balances	(6,112,090)
16th Section Principal Fund	To correct fund balances	3,771,464
Total		<u>\$ (2,340,626)</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 disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district. 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. The case has been tried and no ruling has been made as of November 21, 2019. Once a ruling is made the legal counsel expects it to be appealed to the Mississippi Supreme Court, by final judgement.

**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 ensured 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, 2017

**Note 12 – 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, 2017, the subsidy payments amounted to \$148,183.

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, 2017 was \$1,216,596. 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.

Year Ending June 30	Amount
2018	200,000
2019	200,000
2020	200,000
2021	200,000
2022	200,000
2023-2026	800,000
Total	<u>\$ 1,800,000</u>

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Note 13 – Effect of Deferred Amounts on Net Position**

The Sixteenth Section Non-spendable net position amount of \$91,808,420 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from premium on investments. The \$608,600 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and will decrease the Sixteenth Section Non-spendable net position over the next few years.

The net investment in capital assets net position amount of \$27,290,115 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from charges on refunding of debt. The \$88,757 balance of deferred outflow of resources, at June 30, 2017 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 (\$55,161,966) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$3,003,253 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$7,746,250 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$175,503 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 3 years.

**Note 14 – Deficit Fund Balance of Individual Funds**

The District Maintenance Fund, included in the General Fund for financial reporting purpose, has a deficit fund balance in the amount of (\$14,074,915) due to the sixteenth section principal loan balance in the amount of \$6,247,038 and the adjustment of cash back to the 16<sup>th</sup> section principal fund. See associated finding. 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. The district's restoration plan is to minimize the use of sixteenth section principal loans going forward, while paying off the current loans as soon as possible. They will utilize other debt options for larger expenditures in future years.

**Note 15 - 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 November 21, 2019, (the date the financial statements were available to be issued), and determined that there were subsequent events that have occurred requiring disclosure in the notes to the financial statements.

The district is currently in a very unstable financial condition due to the findings in the report and low available cash for day to day operations and payroll. The district has issued tax anticipation notes to help with the district's current needs. The tax anticipation notes were not enough to remove the negative cash balance or to fully repay the Sixteenth Section Principal loans with interest and the amounts that became illegal transfer of funds due to the non-payment of the sixteenth section principal loans. Due to the current financial status of the district, there is a high possibility that the Mississippi Department of Education will need to assist the district to improve its financial status from the severe financial conditions that currently exist.

REQUIRED SUPPLEMENTARY INFORMATION

**WAYNE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 6,519,135	\$ 6,255,055	\$ 6,255,055	\$ (264,080)	\$ -
State sources	16,296,878	15,983,925	15,983,925	(312,953)	-
Federal sources	226,775	629,886	629,886	403,111	-
Sixteenth section sources	1,015,038	855,538	644,129	(159,500)	(211,409)
Total Revenues	24,057,826	23,724,404	23,512,995	(333,422)	(211,409)
<b>Expenditures:</b>					
Instruction	15,255,921	15,863,821	15,863,821	(607,900)	-
Support services	8,939,756	10,730,986	10,813,856	(1,791,230)	(82,870)
Noninstructional services	2,205	20,678	20,678	(18,473)	-
Sixteenth section	76,000	-	-	76,000	-
Facilities acquisition and construction	97,100	82,869	-	14,231	82,869
Debt service:					-
Interest	48,250	211,409	498,844	(163,159)	(287,435)
Total Expenditures	24,419,232	26,909,763	27,197,199	(2,490,531)	(287,436)
Excess (Deficiency) of Revenues over (under) Expenditures	(361,406)	(3,185,359)	(3,684,204)	(2,823,953)	(498,845)
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	463,200	1,000,000	1,000,000	536,800	-
Insurance loss recoveries	24,125	-	-	(24,125)	-
Indirect costs	-	231,598	-	231,598	(231,598)
Operating transfers in	4,875,036	7,581,603	232,370	2,706,567	(7,349,233)
Operating transfers out	(1,448,465)	(5,787,404)	(1,399,481)	(4,338,939)	4,387,923
Other financing sources	-	-	-	-	-
Total Other Financing Sources (Uses)	3,913,896	3,025,797	(167,111)	(888,099)	(3,192,908)
Net Change in Fund Balances	3,552,490	(159,562)	(3,851,315)	(3,712,052)	(3,691,753)
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	(4,111,510)	(4,111,510)	(4,111,510)	-	-
Prior period adjustments	(1)	(1)	(6,112,090)	-	(6,112,089)
July 1, 2016, as restated	(4,111,511)	(4,111,511)	(10,223,600)	-	(6,112,089)
June 30, 2017	\$ (559,021)	\$ (4,271,073)	\$ (14,074,915)	\$ (3,712,052)	\$ (9,803,842)

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



**WAYNE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Food Service Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	316,665	146,065	146,065	(170,600)	-
State sources	22,195	-	23,068	(22,195)	23,068
Federal sources	1,727,350	2,456,269	2,433,201	728,919	(23,068)
Total Revenues	2,066,210	2,602,334	2,602,334	536,124	-
<b>Expenditures:</b>					
Support services	153,009	175,912	175,912	(22,903)	-
Noninstructional services	2,034,115	2,216,865	2,216,866	(182,750)	(1)
Total Expenditures	2,187,124	2,392,777	2,392,778	(205,653)	(1)
Excess (Deficiency) of Revenues over (under) Expenditures	(120,914)	209,557	209,556	330,471	(1)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	11,113	11,113	11,113	-
Operating transfers out	-	(237,644)	(237,644)	(237,644)	-
Total Other Financing Sources (Uses)	-	(226,531)	(226,531)	(226,531)	-
Net Change in Fund Balances	(120,914)	(16,974)	(16,975)	103,940	(1)
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	822,955	822,955	822,956	-	1
Prior period adjustments	1,917	1,917	-	-	(1,917)
July 1, 2016, as restated	824,872	824,872	822,956	-	(1,916)
Increase (Decrease) in inventory			1,916		1,916
June 30, 2017	\$ 703,958	\$ 807,898	\$ 807,897	\$ 103,940	\$ (1)

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\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.281943%	0.279777%	0.273892%
District's proportionate share of the net pension liability (asset)	\$ 50,362,060	43,248,007	33,245,474
District's covered payroll	\$ 18,036,597	17,478,889	16,736,248
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,003,253	2,840,764	2,752,925
Contributions in relation to the contractually required contribution	3,003,253	2,840,764	2,752,925
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	19,068,273	18,036,597	17,478,889
Contributions as a percentage of covered payroll	15.75%	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.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

## SUPPLEMENTARY INFORMATION

**WAYNE COUNTY SCHOOL DISTRICT**  
**Supplementary Information**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 472,868
National school lunch program	10.555	1,986,207
Summer Feeding	10.559	20,998
Total child nutrition cluster		<u>2,480,073</u>
Total passed-through Mississippi Department of Education		<u>2,480,073</u>
Passed-through Wayne County, Mississippi:		
Schools and roads - grants to states	10.665	63,441
Total passed-through Wayne County, Mississippi		<u>63,441</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,543,514</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve officers' training corps	12.xxx	73,678
<b>Total U.S. Department of Defense</b>		<u>73,678</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,361,303
Career and technical education - basic grants to states	84.048	40,240
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	1,722
Rural Education	84.358	42,891
Teacher and school leader incentive grants	84.374	108,065
Supporting Effective Instruction state grants	84.367	258,728
Subtotal		<u>1,812,949</u>
Special education cluster:		
Special education Grants to States	84.027	772,306
Special education Preschool Grants	84.173	41,930
Total special education cluster		<u>814,236</u>
Total passed-through Mississippi Department of Education		<u>2,627,185</u>
<b>Total U.S. Department of Education</b>		<u>2,627,185</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	104,613
Total passed-through Mississippi Department of Education		<u>104,613</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>104,613</u>
Total for All Federal Awards		<u>\$ 5,348,990</u>

The notes to the Supplementary Information are an integral part of this schedule.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Supplementary Information  
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Wayne County School District under programs of the federal government for the year ended June 30, 2017. 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). Because the Schedule presents only a selected portion of the operations of the Wayne County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Wayne County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Wayne County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities are included in the National School Lunch Program.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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.

**WAYNE COUNTY SCHOOL DISTRICT**  
**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2017**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 26,590,267	19,396,512	1,335,390	1,985,834	3,872,531
Other	9,410,261	2,013,396	722,257	30,772	6,643,836
Total	<u>\$ 36,000,528</u>	<u>21,409,908</u>	<u>2,057,647</u>	<u>2,016,606</u>	<u>10,516,367</u>
Total number of students *	<u>3,244</u>				
Cost per student	<u>\$ 11,098</u>	<u>6,600</u>	<u>634</u>	<u>622</u>	<u>3,242</u>

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

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

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

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

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

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



## OTHER INFORMATION

**WAYNE COUNTY SCHOOL DISTRICT**  
**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 6,255,055	\$ 5,821,966	\$ 5,222,937	\$ 5,427,436
State sources	15,983,925	16,309,588	16,257,234	15,997,864
Federal sources	629,886	544,400	317,954	339,961
Sixteenth Section sources	644,129	1,148,978	852,306	-
Total Revenues	23,512,995	23,824,932	22,650,431	21,765,261
<b>Expenditures:</b>				
Instruction	15,863,821	14,551,404	14,623,926	14,325,765
Support services	10,813,856	10,229,987	9,552,551	9,778,086
Noninstructional services	20,678	13,255	9,585	17,017
Facilities acquisition and construction	-	-	20,825	-
Sixteenth section	-	-	8,600	-
Debt Service:				
Interest	498,844	213,446	174,509	34,098
Total Expenditures	27,197,199	25,008,092	24,389,996	24,154,966
Excess (Deficiency) of Revenues over (under) Expenditures	(3,684,204)	(1,183,160)	(1,739,565)	(2,389,705)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	5,644	63,123	201,735
Sale of other property	-	-	13,876	12,750
Bonds and notes issued	1,000,000	-	-	-
Operating transfers in	232,370	2,442,295	1,959,451	5,266,498
Operating transfers out	(1,399,481)	(2,068,392)	(2,045,102)	(4,870,428)
Total Other Financing Sources (Uses)	(167,111)	379,547	(8,652)	610,555
Net Change in Fund Balances	(3,851,315)	(803,613)	(1,748,217)	(1,779,150)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	(4,111,510)	(3,303,634)	997,271	2,776,421
Prior period adjustments	(6,112,090)	(4,263)	(2,606,140)	-
Fund reclassification	-	-	53,452	-
Beginning of period, as restated	(10,223,600)	(3,307,897)	(1,555,417)	2,776,421
End of Period	\$ (14,074,915)	\$ (4,111,510)	\$ (3,303,634)	\$ 997,271

\*SOURCE - PRIOR YEAR AUDIT REPORTS

# WAYNE COUNTY SCHOOL DISTRICT

## Other Information

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

#### All Governmental Funds

#### Last Four Years

#### UNAUDITED

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 6,709,102	\$ 6,264,592	\$ 6,376,193	\$ 6,765,414
State sources	17,204,398	17,518,983	17,377,741	17,262,002
Federal sources	5,859,054	6,127,468	5,771,473	5,128,725
Sixteenth section sources	5,697,756	9,814,599	10,787,110	17,241,739
Total Revenues	35,470,310	39,725,642	40,312,517	46,397,880
<b>Expenditures:</b>				
Instruction	18,891,432	18,062,550	18,406,999	17,568,368
Support services	12,513,862	12,283,545	11,346,380	11,350,154
Noninstructional services	2,288,403	2,144,304	2,158,548	2,144,217
Sixteenth section	781,861	927,763	1,386,630	1,688,743
Facilities acquisition and construction	-	-	4,232,930	5,636,160
Debt service:				
Principal	790,000	760,000	740,000	710,000
Interest	730,494	470,339	453,455	333,463
Other	4,476	4,017	3,600	2,688
Total Expenditures	36,000,528	34,652,518	38,728,542	39,433,793
Excess (Deficiency) of Revenues over (under) Expenditures	(530,218)	5,073,124	1,583,975	6,964,087
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	35,656	2,503,430	634,372
Bonds and notes issued	1,000,000			
Payment held by escrow agent	196,091	327,012	349,376	191,519
Payment to QSCB escrow agent	(196,091)	(327,012)	(349,376)	(191,519)
Sale of other property	-	-	13,876	12,750
Operating transfers in	1,763,571	4,663,129	4,119,212	10,415,052
Operating transfers out	(1,763,571)	(4,663,129)	(4,119,212)	(10,415,052)
Total Other Financing Sources (Uses)	1,000,000	35,656	2,517,306	647,122
Net Change in Fund Balances	469,782	5,108,780	4,101,281	7,611,209
<b>Fund Balances:</b>				
Beginning of period, as previously reported	82,535,134	77,807,282	74,410,153	66,794,193
Prior period adjustment	(2,340,626)	(380,810)	(688,936)	-
Beginning of period, as restated	80,194,508	77,426,472	73,721,217	66,794,193
Increase (Decrease) in reserve for inventory	3,191	(118)	(15,216)	4,751
End of Period	\$ 80,667,481	\$ 82,535,134	\$ 77,807,282	\$ 74,410,153

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



## McKENZIE CPA, PLLC

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

Superintendent and School Board  
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, 2017, and the related notes to the financial statements, which collectively comprise Wayne County School District's basic financial statements, and have issued our report thereon dated November 21, 2019 .

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the 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 and significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned cost in which the findings are reported, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as **Finding 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007 and 2017-008** to be a material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are described in the accompanying Schedule of Findings and Questioned Cost as **Finding 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007 and 2017-008**. We also noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated September 5, 2019, which is included in this report.

## Wayne County School District's Responses 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. 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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
November 21, 2019

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC". The signature is written in a cursive, flowing style.



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**Independent Auditor's Report  
on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance  
Required by the 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, 2017. Wayne County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with 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 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 Wayne County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wayne County School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Wayne County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with Uniform Guidance. However, the results of our auditing procedures did disclose other instances of noncompliance which are described in the accompanying schedule of findings and questioned costs as findings **2017-009**. Our opinion on each major federal program is not modified with respect to this matter.

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

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding **2017-009** that we consider to be a significant deficiency.

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

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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
November 21, 2019





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



## McKENZIE CPA, PLLC

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

Superintendent and School Board  
Wayne County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District as of and for the year ended June 30, 2017, which collectively comprise Wayne County School District's basic financial statements and have issued our report thereon dated November 21, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

#### **Finding 01:**

Section 37-61-21, Miss. Code Ann. (1972) requires that original and amended budgets must be submitted to the board for approval in a timely manner.

During our test of budgetary compliance, we found that the district was not able to furnish a copy of the original budget to the board for approval and did not provide a final amended budget in a timely manner. The budgets were also not properly advertised.

### Recommendation

We recommend that an original budget be prepared timely and submitted to the board for approval. This should then be followed by an amended budget that should also be submitted timely to the board for approval.

### Response

The district will implement procedures to ensure original and amended budgets are prepared timely and submitted to the board for approval and properly recorded in the minutes.

### **Finding 02:**

Section 29-3-47, Miss. Code Ann. (1972) requires that 15% of the sale of forest products are credited to the forestry escrow fund for replenishment of the lands.

During our test of Sixteenth Section timber sales, we found that the district did not properly set aside 15% into the forestry escrow account for one timber sale out of four timber sales during the fiscal year 2017.

### Recommendation

We recommend that the district review its timber sales to ensure that all sales received set aside the 15% in to the forestry escrow account.

### Response

The district will implement procedures to ensure 15% of all timber sales are credited to the forestry escrow account.

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 it.

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
November 21, 2019



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued:

Governmental Activities	Qualified
General Fund	Adverse
Food Service Fund	Qualified
Sixteenth Section Principal Fund	Adverse
Aggregate Remaining Fund Information	Qualified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiencies identified?	None Reported

3. Noncompliance material to financial statements noted? Yes

Federal Awards:

4. Internal control over major programs:

a. Material weakness identified?	No
b. Significant deficiency identified?	Yes

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)? Yes

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? No

10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). No

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**Section II: Financial Statement Findings**

**Material Non-compliance/Material Weaknesses**

**2017-001 Finding**

**District expended more funds than resources available**

**Criteria:**

Section 37-61-19, Miss. Code Ann. (1972), states, "It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund. Furthermore, it shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year."

**Condition:**

Budgetary controls were not in place to prevent the district from expending funds in excess of its available resources during the fiscal year. For the General Fund a deficit fund balance of \$14,074,915 was reported in the audit for the fiscal year ended June 30, 2017. The districts cash and cash equivalent balance in the General fund is also a deficit balance of \$7,513,374.

**Cause:**

Management had a lack of budgetary controls that had resulted in spending more for recurring expenditures than the revenue being generated, and as a result, the district had no fund balance or available cash to meet current obligations.

**Effect:**

Due to the lack of budgetary controls that resulted in spending more resources than available, the district is financially unstable and having difficulty meeting their current needs.

**Recommendation:**

The district should comply with Section 37-61-19, Miss. Code Ann. (1972), which requires the districts expenditures during the school year to not exceed resources available.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**2017-002 Finding**

**District did not make principal and interest payments on Sixteenth Section Principal Trust Loans**

**Criteria:**

Section 29-3-113, Miss. Code Ann. (1972), as it relates to borrowing of Sixteenth Section Principal Trust funds states, "No school land trust funds may be expended after the annual payment date until the payment is made on such loan. The annual payment can be made from any funds available to the school district except minimum foundation program funds. It shall be unlawful for the board of education to borrow any sixteenth section school funds in any other manner than that prescribed herein, and if any such funds shall be borrowed or invested in any other manner, any officer concerned in making such loan and investment or suffering the same to be made in violation of the provisions of this section, shall be liable personally and on his official bond for the safety of the funds so loaned." Section 29-3-57, Miss. Code Ann. (1972), as it relates to borrowing of Sixteenth Section Principal Trust funds also states, "It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds."

**Condition:**

Upon the review of Sixteenth Section Principal Trust loans, it was determined the district was in default on principal and interest loan payments for multiple fiscal years. The last fiscal year the district fully satisfied the debt obligations was for the 2014 fiscal year. The district was in default on the 2015, 2016, and 2017 fiscal years. As of the date of this report, the district was also in default on the 2018 and 2019 fiscal years. It was also determined the district had made unlawful transfers of interest earned from the Sixteenth Section Principal Trust funds.

**Cause:**

The district did not make the proper entries to record the payment. District's management made a pervasive entry that made it appear the Sixteenth Section Principal Trust funds had been repaid. The entry changed the loan from an advance (long term loan) to a due to/from (short term loan). Cash was not moved to actually repay the obligation. It is possible the district did not have the cash available to repay the debt.

**Effect:**

Due to the budgetary controls that resulted in spending more resources than available, the district was unable to meet the debt obligations. Due to not meeting the debt obligations, transfers of interest earned from the Sixteenth Section Principal Trust funds were unlawful. The unlawful transfers along with the interest and principal payments have been adjusted through an entry by the auditor which causes a negative cash balance in the General fund in the amount of (\$7,513,374). District's management and the board could be held personally liable for the funds spent beyond the available resources.

**Recommendation:**

The district should comply with Section 29-3-113 and 29-3-57, Miss. Code Ann. (1972), which requires the district to make annual payments on the Sixteenth Section Principal Trust obligations and for the superintendent of education to collect promptly all principal and interest due to the Sixteenth Section Principal Trust fund.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**2017-003 Finding**

**District does not have proper segregation of duties.**

**Criteria:**

Management is responsible for ensuring that the proper resources are available to meet the requirements of the district. Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud by ensuring no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties. When duties cannot be sufficiently segregated due to the small size of the district, it is important that mitigating controls, such as a detailed supervisory review of the activities, be put in place to reduce risk.

**Condition:**

The district did not have the proper detailed supervisory review in place to reduce the risk of errors or misstatements. One employee had the ability to do the following procedures:

1. Receipt cash
2. Code receipts into the financial accounting system
3. Posted receipts into the financial accounting system
4. Responsible for the performance of reconciling the bank balances to the general ledger system
5. Performed all functions relating to journal entries within the accounting software without review.

**Cause:**

The district did not have the proper segregation of duties for good internal controls in place within these procedures.

**Effect:**

Good internal controls require duties to be properly segregated to prevent both the initiation and the authorization of an entire transaction by one individual. Failure to adequately segregate duties increases the risk that unauthorized or inappropriate transactions could be processed and not be detected in a timely manner. The noted activities did not get the proper review which could lead to a greater risk of errors or fraud.

**Recommendation:**

We recommend the district implement procedures and controls to prevent both the initiation and the authorization of an entire transaction by one individual. We also recommend a supervisory review be done of the monthly activities. Adequate staff appear to be available to segregate these responsibilities.



WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**2017-004 Finding**

**Repeat Finding from 2016-002**

**Transfers and Due to/from between funds were not properly reconciled and presented on financials.**

**Criteria:**

Management is responsible for insuring all items are reported correctly on the school district's financial statements. Transfers and due to/from between funds should be reconciled and adjusted monthly to accurately reflect the proper balances.

**Condition:**

We noted the following areas of concern:

1. Transfers were made without proper support or reconciling for the proper amount needed to be transferred. Funds were being moved to cover balances or in some cases were not transferred and paid from the wrong fund. Journal entries were not made to accurately show how money was being transferred between funds.
2. The Due to/from balances between funds were also overstated and adjustments were not made to accurately reflect the balances.
3. The Due to/from (short term loans) balances were not reconciled and cleared within a timely period.

**Cause:**

District did not have the proper controls in place to ensure transfers and due to/from between funds are reconciled monthly.

**Effect:**

This caused the transfers and due to/from between funds to be misstated.

**Recommendation:**

The district should strengthen controls over reconciliations of transfer and due to/from transactions within the financial statements to ensure that the financial statements are properly stated.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**2017-005 Finding**

**Bank reconciliations and investment statements were not properly reconciled.**

**Criteria:**

A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling monthly bank statements to the general ledger and reconciling investment statements to ensure the values are booked at the fair value. In addition, strong internal controls dictate the district prepare accurate reconciliations to ensure account balances are accurate.

**Condition:**

We noted the following items related to reconciliations:

1. The district maintenance bank reconciliation had unsupported amounts included in order to reconcile to the general ledger balance. The unsupported amounts were rolled forward from previous periods and were unable to be reconciled by the district.
2. Investment statements were not reconciled to identify the fair value amounts and to make the proper adjustments to the financials.
3. At the date of the release of this report, the statements were not reconciled for any future time periods past the fiscal year end of June 30, 2017.

**Cause:**

The proper procedures were not utilized to complete the district maintenance bank reconciliation and to track down all discrepancies or unsupported amounts. The district did not complete the proper year end reconciliation adjustments to ensure the investments were reconciled to the fiscal year end balance shown on the investment statements.

**Effect:**

This caused the district to misstate the year end investment balances and show unsupported amounts on the district maintenance bank reconciliation. Proposed adjustments were made during the audit to correct the misstatements noted.

**Recommendation:**

The district should establish procedures that are followed by management to ensure the bank statements are accurately reconciled to the general ledger and any differences are investigated and recorded on the general ledger to properly reflect transactions. The district should also implement procedures which would enable them to accurately and timely evaluate the balances of each investment account.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**2017-006 Finding**

**Repeat finding from 2016-001**

**Capital assets should be properly documented and reported in the district's financial statements.**

**Criteria:**

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. This includes reviewing and updating the capital assets and depreciation reports to reflect the physical inventory. Proper documentation should also be filed for asset transfers, disposals, and tagging.

**Condition:**

We noted the following items while testing capital assets:

1. Assets were not properly recorded on the books. Assets were not categorized by threshold properly. Therefore, Asset balances did not agree with the support given by the district. Adjustments were made that were approved by the district to tie the ending asset balances to the support provided.
2. During our test of disposals, we noted that the disposal forms were not completed although disposals were approved by the board. Also, disposals were approved in the prior year but were not removed from the books until the current year causing disposals to be overstated.
3. Out of a sample of 16 assets pulled, four did not have asset tags, one could not be identified and one asset could not be found at the time of inspection. Also, the proper transfer paperwork was not completed for an asset moved to another location.

**Cause:**

The district lacks appropriate controls to ensure all asset procedures are implemented and properly recorded.

**Effect:**

This caused the district to misstate the capital asset balances at year end. As a result, proposed adjustments were made during the audit and accepted by the district to properly present the capital asset balances.

**Recommendation:**

The district should implement procedures and internal controls with regard to the purchase, disposal, and transfer of fixed assets by reconciling them monthly to current month additions and board approved disposals of equipment. The district should also require an annual inventory of all capital assets within the district. The proper transfer paperwork should be submitted when an asset is moved to a new location within the district and each asset should be tagged with the number assigned by the software.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**2017-007 Finding**

**Accounts Receivables, accounts payable, and accrued liabilities were not properly reported on the district's financial statements.**

**Criteria:**

Management is responsible for ensuring that all items are reported correctly on the school district's financial statements. Accounts payables and accruals should be reconciled and adjusted at year end to accurately reflect the proper balances.

**Condition:**

We noted the following items while reviewing support for the financial statements:

1. The district did not properly record all receivables for the current year.
2. Prior year balances were carried over and not properly cleared.
3. The district was showing a negative fund balance in fund 2090 at year end.
4. The district did not properly record accrued payroll at year end to reflect the final payroll transaction. Adjustments were made to correct the liability and approved by the district.

**Cause:**

The district did not implement the proper controls to reconcile and record accruals at year end.

**Effect:**

Receivables and payables were misstated and did not reflect the correct balances at year end. Proposed adjustments were made during the audit process and accepted by the district to properly reflect accruals on the financial statements.

**Recommendation:**

The district should strengthen controls over reconciliations of liability accounts and other accruals within the financial statements to ensure that the financial statements are properly stated.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**2017-008 Finding**

**Payroll expenditures should be supported by adequate documentation and approval.**

**Criteria:**

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented and properly calculated.

**Condition:**

We noted the following items while testing payroll expenditures:

1. One employee was not approved in board minutes and also did not have board approval for the amount the employee was paid in the fiscal year 2017.
2. The district did not properly separate regular pay, that was approved by the board, from extra pay in the software. Extra pay may have been overtime or additional work or responsibilities that the employee may have acquired throughout the year. The district states that all pay was approved, but we could not find in the minutes where any of the extra pay was approved for the hourly employees.

**Cause:**

The district did not have the proper controls and procedures in place to ensure all employees and applicable wages are properly board approved. Controls were also not in place to ensure that all approvals were properly recorded in the minutes.

**Effect:**

Miscalculations of an employee's change in pay during the fiscal year or during budgeting for the next year could result in underpaying or overpaying an employee according to their contract and board approval. Not paying the employee by the time worked as indicated on a timesheet could result in unsubstantiated charges made to the district or federal program. Omitting documentation of approval of additional compensation of the supplements from the board minutes could result in payments of unauthorized amounts.

**Recommendation:**

We recommend the district implement procedures and internal controls to ensure that changes in employees pay during the fiscal year will be properly calculated and paid accordingly. Additionally, the district should require timesheets for all hourly employees to ensure their time can be reconciled before payment. The district should also require all employees who are paid from both federal and district funds to keep timesheets or other documentation to allocate their time properly and to make sure they are being paid with the proper funds. The school board should also approve all salaries including supplements or additional time paid to district employees.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

Section III: Federal Award Findings and Questioned Costs

**Significant Deficiency/ Immaterial noncompliance**

**2017-009 Finding**

**Internal controls surrounding special education cash management principles should be strengthened.**

Program:

Special Education Cluster, CFDA # 84.027 & 84.173

Title II Supporting Effective Instruction State Grants, CFDA # 84.367

Title VI Rural and Low CFDA # 84.358

Passed-through the Mississippi Department of Education

Compliance Requirement: Cash Management

Questioned Cost : \$19,627

**Criteria:**

Management is responsible for complying with the requirements of the Mississippi Department of Education Special Education Policy and Procedures Manual, which recommends that expenditures should be expended before the reimbursements are requested.

**Condition:**

We noted the following items during our cash management review:

1. The cash balance was excessive for Special Education Cluster by \$4,570 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district.
2. The cash balance was excessive for the Title II Supporting Effective Instruction State Grants by \$6,871 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district.
3. The cash balance was excessive for the Title VI Rural and Low Grant by \$8,186 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district.

**Cause:**

Improper internal controls resulted in the district not requesting reimbursements accurately.

**Effect:**

By requiring more than one staff member to review the reimbursement request reduces the risk of fraud and errors occurring and not being detected within a timely period. Improper internal controls concerning Special Education and Title II Fund allocations could result in questioned cost by the federal agencies.

**Recommendation:**

The district should implement stronger internal controls to ensure that all reimbursements are requested accurately in each area when the expenditure is actually expended by the district.

AUDITEE'S CORRECTIVE ACTION PLAN/  
AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

**Wayne County School District  
P. O. Box 256  
Office of the Superintendent  
Waynesboro, Mississippi 38917  
Bobby Jones, Superintendent  
Dennis Singleterry, Business Manager**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by the Uniform Guidance, 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 Costs for the year ended June 30, 2017:

Finding	Corrective Action Plan Details
<b>2017-001</b>	<p>District expended more funds than resources available.</p> <p>A. Name of contact person responsible for corrective action: Name: Bobby Jones Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will comply with Section 37-61-19 Miss. Code Ann. (1972) which required the district expenditures to not exceed the funds that are available.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2020.</p>
<b>2017-002</b>	<p>District did not make principal and interest payments on Sixteenth Section Principal Trust Loans</p> <p>A. Name of contact person responsible for corrective action: Name: Bobby Jones Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will implement a plan to get all Sixteenth Section Principal Trust loan obligations current.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2020</p>



**Wayne County School District  
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Dennis Singleterry, Business Manager**

**2017-003**

District does not have proper Segregation of Duties

D. Name of contact person responsible for corrective action:

Name: Bobby Jones

Title: Superintendent

E. Corrective action planned:

District will improve internal controls to mitigate the segregation of duties by including or adding an additional person within the receipting, deposits, general ledger entry, and bank reconciliations. A review of the monthly activities will also be implemented.

F. Anticipated completion date:

June 30, 2020

**2017-004**

Transfers and Due to/from balances were not properly reconciled and presented on financial statements.

A. Name of contact person responsible for corrective action:

Name: Dennis Singleterry

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls over reconciliations of transfers and loan transactions within the financial statements to ensure that the financial statements are fairly stated.

C. Anticipated completion date:

June 30, 2020

**Wayne County School District  
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Dennis Singleterry, Business Manager**

**2017-005**

Bank reconciliations and investment statements were not properly reconciled.

A. Name of contact person responsible for corrective action:

Name: Dennis Singleterry

Title: Business Manager

B. Corrective action planned:

The district will implement better controls and procedures so that bank statements and investments statements are properly reconciled to the general ledger. Any differences will be investigated and recorded on the general ledger to properly reflect the transactions.

C. Anticipated completion date:

June 30, 2020

**2017-006**

Capital assets should be properly documented and reported in the district's financial statements.

A. Name of contact person responsible for corrective action:

Name: Dennis Singleterry

Title: Business Manager

B. Corrective action planned:

The district will implement better internal controls for assets purchases, disposals and transfers. The business manager will ensure that all transfer and disposal forms will be completed and submitted to the board for approval.

C. Anticipated completion date:

June 30, 2020

**Wayne County School District  
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Bobby Jones, Superintendent  
Dennis Singleterry, Business Manager**

**2017-007**

Accounts payable and other accruals were not properly reported on the district's financial statements.

A. Name of contact person responsible for corrective action:

Name: Dennis Singleterry Bret Reynolds

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls over reporting and make sure accruals are reconciled and are properly stated on the financials.

C. Anticipated completion date:

June 30, 2020

**2017-008**

Payroll expenditures should be supported by adequate documentation and board approval.

A. Name of contact person responsible for corrective action:

Name: Dennis Singleterry and Bobby Jones

Title: Business Manager and Superintendent

B. Corrective action planned:

The business manager will implement better procedures to ensure that employees' pay during the fiscal year will be properly calculated and paid accordingly. Additionally, the district will implement better controls over the payroll processes and make sure all time sheets are reconciled and all employees, salaries, and supplements are approved by the board.

C. Anticipated completion date:

June 30, 2020

**Wayne County School District  
P. O. Box 256  
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Waynesboro, Mississippi 38917  
Bobby Jones, Superintendent  
Dennis Singleterry, Business Manager**

**2017-009**

Internal controls surrounding Special Education and Title II fund cash management principles should be strengthened.

A. Name of contact person responsible for corrective action:

Name: Dennis Singleterry

Title: Business Manager

B. Corrective action planned:

The business manager will review monthly to ensure all reimbursements are requested accurately and properly reflects when the expenditures are actually expended by the district.

C. Anticipated completion date:

June 30, 2020

**Wayne County School District  
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Bobby Jones, Superintendent  
Dennis Singleterry, Business Manager**

**AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

As required by Uniformed Guidance, the Wayne County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2017:

<u>Findings</u>	<u>Status</u>
2016-001	See 2017-006
2016-002	See 2017-004