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WAYNE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2019

WAYNE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	21
Notes to the Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	48
Budgetary Comparison Schedule – General Fund	49
Schedule of the District's Proportionate Share of the Net Pension Liability	50
Schedule of District Contributions (PERS)	51
Schedule of the District's Proportionate Share of the Net OPEB Liability	52
Schedule of District Contributions (OPEB)	53
Notes to the Required Supplementary Information	54
SUPPLEMENTARY INFORMATION	57
Schedule of Expenditures of Federal Awards	58
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	60
OTHER INFORMATION	61
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	62
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	63
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	64
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	67
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	69
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72
AUDITEE'S CORRECTIVE ACTION PLAN/ AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS	82

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, 2019, 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
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 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, 2019, 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, 2019, 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 Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Aggregate Remaining Fund Information of the Wayne County School District, as of June 30, 2019, 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, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-13 and 48-53 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 September 4, 2020, 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
September 4, 2020

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC".

MANAGEMENT'S DISCUSSION AND ANALYSIS

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019. 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 2019 decreased \$2,552,428, including a prior period adjustment of \$4,219,556, which represents a 5% decrease from fiscal year 2018. Total net position for 2018 decreased \$10,129,713, including a prior period adjustment of (\$4,563,686), which represents a 15% decrease from fiscal year 2017.
- General revenues amounted to \$25,387,058 and \$29,062,184, or 77% and 80% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,674,860, or 23% of total revenues for 2019, and \$7,306,574, or 20% of total revenues for 2018.
- The District had \$39,833,902 and \$41,934,785 in expenses for fiscal years 2019 and 2018; only \$7,674,860 for 2019 and \$7,306,574 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$25,387,058 for 2019 were not adequate to provide for these programs and \$29,062,184 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$24,580,866 in revenues and \$28,209,819 in expenditures for 2019, and \$23,415,283 in revenues and \$29,619,357 in expenditures for 2018. The General Fund's fund balance decreased by \$217,214, including a prior period adjustment of \$4,584,663 from 2018 to 2019, and decreased by \$15,797,704, including a prior period adjustment of (\$8,004,062) from 2017 to 2018.
- Capital assets, net of accumulated depreciation, decreased by \$896,924 for 2019 and decreased by \$278,870 for 2018. The decrease for 2019 was due primarily to normal depreciation and disposals.
- Long-term debt decreased by \$323,171 for 2019 and decreased by \$822,870 for 2018. The decrease for 2019 was due primarily to principal payments. The liability for compensated absences increased by \$11,829 for 2019 and decreased by \$12,870 for 2018.

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 financial position is improving or deteriorating.

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, OPEB 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.

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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 and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on 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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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 \$54,078,222 as of June 30, 2019.

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

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Current assets	\$ 1,641,577	\$ 1,495,372	9.78 %
Restricted assets	99,075,481	90,492,828	9.48 %
Capital assets, net	31,096,614	31,993,538	(2.80) %
Total assets	131,813,672	123,981,738	6.32 %
Deferred outflows of resources	5,025,176	7,646,090	(34.28) %
Current liabilities	2,913,802	2,758,107	5.64 %
Cash Deficit balance	20,423,084	12,744,179	60.25 %
Long-term debt outstanding	5,224,610	5,549,447	(5.85) %
Net OPEB liability	3,289,690	3,159,798	4.11 %
Net pension liability	48,869,831	49,411,709	(1.10) %
Total liabilities	80,721,017	73,623,240	9.64 %
Deferred inflows of resources	2,039,609	1,373,938	48.45 %
Net position:			
Net investment in capital assets	26,229,125	26,804,176	(2.15) %
Restricted	107,586,114	106,936,318	0.61 %
Unrestricted	(79,737,017)	(77,109,844)	(3.41) %
Total net position	\$ 54,078,222	\$ 56,630,650	(4.51) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(79,737,017)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the deferred outflows and deferred inflows related to Pensions and OPEB	49,233,125
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$(30,503,892)</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 \$896,924.
- The principal retirement of \$290,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$48,869,831.
- Recognition of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$3,289,690.
- Audit finding 2019-002 which caused Cash Deficit balance in the General fund of (\$21,948,551).

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$33,061,918 and \$36,368,758, respectively. The total cost of all programs and services was \$39,833,902 for 2019 and \$41,934,785 for 2018.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,013,153	\$ 1,209,215	(16.21) %
Operating grants and contributions	6,661,707	6,097,359	9.26 %
General revenues:			
Property taxes	5,529,001	4,959,950	11.47 %
Grants and contributions not restricted	17,113,259	16,739,558	2.23 %
Investment earnings	362,655	2,467,739	(85.30) %
Sixteenth section sources	2,083,452	4,701,610	(55.69) %
Other	298,691	193,327	54.50 %
Total revenues	<u>33,061,918</u>	<u>36,368,758</u>	<u>(9.09) %</u>
Expenses:			
Instruction	18,401,681	18,751,013	(1.86) %
Support services	11,878,206	12,642,696	(6.05) %
Non-instructional	2,267,569	2,308,572	(1.78) %
Sixteenth section	1,073,910	635,233	69.06 %
Pension expense	5,497,274	6,966,920	(21.09) %
OPEB expense	196,107	178,420	9.91 %
Interest on long-term liabilities	519,155	451,931	14.87 %
Total expenses	<u>39,833,902</u>	<u>41,934,785</u>	<u>(5.01) %</u>
Increase (Decrease) in net position	<u>(6,771,984)</u>	<u>(5,566,027)</u>	<u>(21.67) %</u>
Net Position, July 1, as previously reported	<u>56,630,650</u>	<u>66,760,363</u>	<u>(15.17) %</u>
Prior Period Adjustment	<u>4,219,556</u>	<u>(4,563,686)</u>	<u>192.46 %</u>
Net Position, July 1, as restated	<u>60,850,206</u>	<u>62,196,677</u>	<u>(2.16) %</u>
Net Position, June 30	<u><u>\$ 54,078,222</u></u>	<u><u>\$ 56,630,650</u></u>	<u><u>(4.51) %</u></u>

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Governmental activities

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB 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**

	Total Expenses		Percentage Change
	2019	2018	
Instruction	\$ 18,401,681	\$ 18,751,013	(1.86) %
Support services	11,878,206	12,642,696	(6.05) %
Non-instructional	2,267,569	2,308,572	(1.78) %
Sixteenth section	1,073,910	635,233	69.06 %
Pension expense	5,497,274	6,966,920	(21.09) %
OPEB expense	196,107	178,420	9.91 %
Interest on long-term liabilities	519,155	451,931	14.87 %
Total expenses	\$ 39,833,902	\$ 41,934,785	(5.01) %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (15,502,184)	\$ (15,749,498)	1.57 %
Support services	(9,672,888)	(10,925,049)	11.46 %
Non-instructional	302,476	180,536	67.54 %
Sixteenth section	(1,073,910)	(536,929)	(100.01) %
Pension Expense	(5,497,274)	(6,966,920)	21.09 %
OPEB expense	(196,107)	(178,420)	(9.91) %
Interest on long-term liabilities	(519,155)	(451,931)	(14.87) %
Total net (expense) revenue	\$ (32,159,042)	\$ (34,628,211)	7.13 %

- Net cost of governmental activities (\$32,159,042 for 2019 and \$34,628,211 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$5,529,001 for 2019 and \$4,959,950 for 2018) and state and federal revenues (\$17,113,259 for 2019 and \$16,739,558 for 2018). In addition, there was \$2,083,452 and \$4,701,610 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$362,655 for 2019 and \$2,467,739 for 2018.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$77,534,582, an increase

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

of \$421,922, which includes a prior period adjustment of \$4,170,324 and an increase in inventory of \$603. The unassigned fund balance is (\$30,589,379), 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 \$108,123,961 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 \$217,214, which includes a prior period adjustment of \$4,584,663. The fund balance of Other Governmental Funds showed an increase in the amount of \$332,611, which includes a prior period adjustment of (\$414,339) and an increase in inventory of \$603. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$ 306,525

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 is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$49,738,111, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$404,790 from 2018 due primarily to the addition of improvements other than buildings. Total accumulated depreciation as of June 30, 2019, was \$18,641,497, and total depreciation expense for the year was \$1,310,896, resulting in total net capital assets of \$31,096,614.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 223,257	\$ 223,257	0.00 %
Buildings	25,203,512	25,881,783	(2.62) %
Building improvements	1,223,580	1,284,937	(4.78) %
Improvements other than buildings	2,036,614	1,837,087	10.86 %
Mobile equipment	2,059,965	2,383,124	(13.56) %
Furniture and equipment	349,686	383,350	(8.78) %
Total	<u>\$ 31,096,614</u>	<u>\$ 31,993,538</u>	<u>(2.80) %</u>

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, 2019

Debt Administration. At June 30, 2019, the District had \$5,217,950 in outstanding long-term debt, of which \$309,898 is due within one year. During the fiscal year, the District made principal payments totaling \$290,000 on outstanding long-term debt. The liability for compensated absences increased \$11,829 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Three mill notes payable	1,920,000	2,255,000	(14.86) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	297,950	286,121	4.13 %
Total	<u>\$ 5,217,950</u>	<u>\$ 5,541,121</u>	<u>(5.83) %</u>

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

WAYNE COUNTY SCHOOL DISTRICT

Statement of Net Position June 30, 2019

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ -
Due from other governments	1,365,247
Accrued interest receivable	216,432
Other receivables, net	30,951
Inventories	28,947
Restricted assets	99,075,481
Capital assets, non-depreciable:	
Land	223,257
Capital assets, net of accumulated depreciation:	
Buildings	25,203,512
Building improvements	1,223,580
Improvements other than buildings	2,036,614
Mobile equipment	2,059,965
Furniture and equipment	349,686
Total Assets	<u>131,813,672</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	59,171
Deferred outflow related to pensions	4,555,658
Deferred outflows - OPEB	410,347
Total Deferred Outflows of Resources	<u>5,025,176</u>
Liabilities	
Accounts payable and accrued liabilities	2,433,178
Cash deficit balance	20,423,084
Unearned revenue	326,214
Interest payable on long-term liabilities	154,410
Long-term liabilities, due within one year:	
Capital related liabilities	295,000
Non-capital related liabilities	14,898
Net OPEB liability	137,301
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,625,000
Capital related bond premiums	6,660
Non-capital related liabilities	283,052
Net pension liability	48,869,831
Net OPEB liability	3,152,389
Total Liabilities	<u>80,721,017</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,805,212
Deferred inflows - OPEB	234,397
Total Deferred Inflows of Resources	<u>2,039,609</u>
Net Position	
Net investment in capital assets	26,229,125
Restricted for:	
Expendable:	
School-based activities	1,692,410
Debt service	1,168,155
Forestry improvements	216,081
Unemployment benefits	83,626
Non-expendable:	
Sixteenth section	104,425,842
Unrestricted	<u>(79,737,017)</u>
Total Net Position (deficit)	<u>\$ 54,078,222</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, 2019

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 18,401,681	\$ 872,199	\$ 2,027,298	\$ -	\$ (15,502,184)
Support services	11,878,206	15,991	2,189,327	-	(9,672,888)
Non-instructional	2,267,569	124,963	2,445,082	-	302,476
Sixteenth section	1,073,910	-	-	-	(1,073,910)
Pension expense	5,497,274	-	-	-	(5,497,274)
OPEB expense	196,107	-	-	-	(196,107)
Interest on long-term liabilities	519,155	-	-	-	(519,155)
Total Governmental Activities	<u>\$ 39,833,902</u>	<u>\$ 1,013,153</u>	<u>\$ 6,661,707</u>	<u>\$ -</u>	<u>\$ (32,159,042)</u>

General Revenues:

Taxes:

General purpose levies 5,049,827

Debt purpose levies 479,174

Unrestricted grants and contributions:

State 16,814,468

Federal 298,791

Unrestricted investment earnings 362,655

Sixteenth section sources 2,083,452

Other 298,691

Total General Revenues 25,387,058

Change in Net Position (6,771,984)

Net Position - Beginning, as previously reported 56,630,650

Prior Period Adjustments 4,219,556

Net Position - Beginning, as restated 60,850,206

Net Position (deficit) - Ending \$ 54,078,222

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

WAYNE COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2019

Exhibit C

	Major Funds			
	General	Sixteenth	Other	Total
	Fund	Section Principal	Governmental	Governmental
		Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ -	\$ 23,890,787	\$ 1,525,467	\$ 25,416,254
Cash with fiscal agents		2,719,264	18,918	2,738,182
Investments		70,846,661	1,599,851	72,446,512
Due from other governments	370,341	-	973,679	1,344,020
Accrued interest receivable		212,334	4,098	216,432
Other receivables, net	30,951		-	30,951
Due from other funds	547,996	-	364,958	912,954
Advance to other funds		6,756,796	-	6,756,796
Inventories			28,947	28,947
Total assets	\$ 949,288	\$ 104,425,842	\$ 4,515,918	\$ 109,891,048
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,016,532	\$ -	\$ 416,646	\$ 2,433,178
Cash Deficit balance	21,948,551			21,948,551
Due to other funds	317,242	-	574,485	891,727
Advances from other funds	6,756,796		-	6,756,796
Unavailable revenue - federal programs			326,214	326,214
Total Liabilities	31,039,121	-	1,317,345	32,356,466
Fund Balances:				
Nonspendable:				
Inventory			28,947	28,947
Permanent fund principal		97,669,046	-	97,669,046
Advances		6,756,796	-	6,756,796
Restricted:				
Debt service			1,322,565	1,322,565
Forestry improvement purposes			216,081	216,081
Grant activities	116,109		1,547,354	1,663,463
Unemployment benefits			83,626	83,626
Assigned:				
Activity funds	383,437		-	383,437
Unassigned	(30,589,379)		-	(30,589,379)
Total Fund Balances	(30,089,833)	104,425,842	3,198,573	77,534,582
Total Liabilities and Fund Balances	\$ 949,288	\$ 104,425,842	\$ 4,515,918	\$ 109,891,048

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, 2019

Exhibit C-1

Total fund balances for governmental funds **\$ 77,534,582**

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	2,979,594	
Improvements other than buildings	2,796,448	
Mobile equipment	6,095,112	
Furniture and equipment	1,680,921	
Accumulated depreciation	<u>(18,641,497)</u>	31,096,614

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	(48,869,831)	
-----------------------	--------------	--

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	4,555,658	
Deferred inflows of resources related to pensions	<u>(1,805,212)</u>	(46,119,385)

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

Net OPEB liability	(3,289,690)	
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	410,347	
Deferred inflows of resources related to OPEB	<u>(234,397)</u>	(3,113,740)

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

Other bonds payable	(3,000,000)	
Notes payable	(1,920,000)	
Compensated absences	(297,950)	
Unamortized charges	59,171	
Unamortized premiums	(6,660)	
Accrued interest payable	<u>(154,410)</u>	(5,319,849)

Net Position of governmental activities

\$ 54,078,222

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, 2019

Exhibit D

	Major Funds			
	General	Sixteenth	Other	Total
	Fund	Section Principal	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Local sources	\$ 6,227,461	\$ -	\$ 606,964	\$ 6,834,425
State sources	17,116,730		747,508	17,864,238
Federal sources	235,191		5,675,538	5,910,729
Sixteenth section sources	1,001,484	1,275,971	159,080	2,436,535
Total Revenues	24,580,866	1,275,971	7,189,090	33,045,927
Expenditures:				
Instruction	17,969,886		2,537,978	20,507,864
Support services	9,888,671		2,221,904	12,110,575
Noninstructional services	75,714		2,263,979	2,339,693
Sixteenth section	6,000	969,446	98,464	1,073,910
Debt service:				
Principal			290,000	290,000
Interest	259,878		216,138	476,016
Other	9,670		3,195	12,865
Total Expenditures	28,209,819	969,446	7,631,658	36,810,923
Excess (Deficiency) of Revenues over (under) Expenditures	(3,628,953)	306,525	(442,568)	(3,764,996)
Other Financing Sources (Uses):				
Insurance recovery	15,991		-	15,991
Payments held by escrow agent			168,385	168,385
Payment to QSCB debt escrow agent			(168,385)	(168,385)
Operating transfers in	50,000		1,307,835	1,357,835
Operating transfers out	(1,238,915)	-	(118,920)	(1,357,835)
Total Other Financing Sources (Uses)	(1,172,924)	-	1,188,915	15,991
Net Change in Fund Balances	(4,801,877)	306,525	746,347	(3,749,005)
Fund Balances:				
July 1, 2018, as previously reported	(29,872,619)	104,119,317	2,865,962	77,112,660
Prior Period Adjustments	4,584,663	-	(414,339)	4,170,324
July 1, 2018, as restated	(25,287,956)	104,119,317	2,451,623	81,282,984
Increase (Decrease) in inventory			603	603
June 30, 2019	\$ (30,089,833)	\$ 104,425,842	\$ 3,198,573	\$ 77,534,582

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, 2019**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (3,749,005)**

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	\$ 409,790	
	Depreciation expense	<u>(1,310,896)</u>	(901,106)
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.		(50)
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:		
	Payments of debt principal	290,000	
	Accrued interest payable	<u>(17,147)</u>	272,853
4.	Some items relating to pensions and 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 the governmental funds. The activities include:		
	Pension expense	(5,497,274)	
	Contributions subsequent to the measurement date	<u>3,177,734</u>	(2,319,540)
5.	Some items relating to OPEB and 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 the governmental funds. The activities include:		
	OPEB expense	(196,107)	
	Contributions subsequent to the measurement date	<u>145,324</u>	(50,783)
6.	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	(11,829)	
	Change in inventory	603	
	Amortization of deferred charges, premiums and discounts	<u>(13,127)</u>	(24,353)

Change in Net Position of governmental activities **\$ (6,771,984)**

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

WAYNE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2019

	Agency Funds
	<u> </u>
Assets	
Cash and cash equivalents	\$ 183,785
Total Assets	<u>\$ 183,785</u>
 Liabilities	
Accounts payable and accrued liabilities	\$ 5,450
Due to other funds	21,227
Due to student clubs	<u>157,108</u>
Total Liabilities	<u>\$ 183,785</u>

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, 2019

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, 2019

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.

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, 2019

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, 2019

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.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, 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 deferred outflows which are presented as deferred outflows related to pensions, deferred outflows related to OPEB, and deferred outflow from advance refunding on debt. See Note 14 for further details.

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB. See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for 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. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

12. 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.

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 district's restoration plan.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,467,703 and \$183,785, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of (\$20,423,084) and a portion of restricted assets in the amount of \$99,075,481 (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, 2019, none of the district's bank balance of \$4,289,230 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 \$2,738,182.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Investments

As of June 30, 2019, the district had the following investments.

Investment Type	Rating	<u>Maturities (in years)</u>	Fair Value
U.S. Government Bonds	AAA	More than one year	\$ 1,599,851
U.S. Government Bonds	AAA	More than one year	70,846,661
Total			<u>\$ 72,446,512</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, 2019:

- Level 1 type of investments of \$72,446,512 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, 2019, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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	\$ 526,769
	Fiduciary Funds	21,227
Other Governmental Funds	General Fund	317,242
	Other Governmental Funds	47,716
Total		<u>\$ 912,954</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	\$ 6,756,796
Total		<u>\$ 6,756,796</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).

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, 2016, 2017, 2018, and 2019, 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	\$ 2,286,237	\$	\$ 2,286,237
2020	357,761	178,822	536,583
2021	335,030	164,512	499,542
2022	348,431	151,110	499,541
2023	362,369	137,174	499,543
2024	323,842	122,679	446,521
2025-2029	1,242,583	448,237	1,690,820
2030-2034	1,440,404	189,393	1,629,797
2035	60,139	2,406	62,545
Total	<u>\$ 6,756,796</u>	<u>\$ 1,394,333</u>	<u>\$ 8,151,129</u>

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 1,238,915
Other governmental funds	General fund	50,000
Other governmental funds	Other governmental funds	68,920
Total		<u>\$ 1,357,835</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 \$23,890,787; 2,719,264 and \$70,846,661, 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 agents and investment balance of \$18,918 and \$1,599,851, respectively, of the QSCB Debt Retirement Fund.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Adjustments	Balance 6/30/2019
Governmental Activities:					
<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	35,962,779	-	-	-	35,962,779
Building improvements	2,932,723	46,871	-	-	2,979,594
Improvements other than buildings	2,493,773	302,675	-	-	2,796,448
Mobile equipment	6,089,862	5,250		-	6,095,112
Furniture and equipment	1,630,927	54,994	(5,000)	-	1,680,921
Total depreciable capital assets	49,110,064	409,790	(5,000)	-	49,514,854
<u>Less accumulated depreciation for:</u>					
Buildings	10,080,996	678,271	-	-	10,759,267
Building improvements	1,647,786	108,228	-	-	1,756,014
Improvements other than buildings	656,686	103,148	-	-	759,834
Mobile equipment	3,706,738	328,409		-	4,035,147
Furniture and equipment	1,247,577	92,840	(4,950)	(4,232)	1,331,235
Total accumulated depreciation	17,339,783	1,310,896	(4,950)	(4,232)	18,641,497
Total depreciable capital assets, net	31,770,281	(901,106)	(50)	4,232	30,873,357
Governmental activities capital assets, net	\$ 31,993,538	\$ (901,106)	\$ (50)	\$ 4,232	31,096,614

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
Governmental activities:	
Instruction	\$ 605,518
Support services	611,338
Non-instructional	94,040
Total depreciation expense - Governmental activities	\$ 1,310,896

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Adjustments	Balance 6/30/2019	Amounts due within one year
A. Three mill notes payable	2,255,000	-	(290,000)	(45,000)	1,920,000	295,000
Bond Premiums	8,326		(1,666)		6,660	
B. Qualified school construction bonds payable	3,000,000	-	-		3,000,000	
C. Compensated absences payable	286,121	11,829			297,950	14,898
Total	\$ 5,549,447	\$ 11,829	\$ (291,666)	(45,000)	\$ 5,224,610	\$ 309,898

A. 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	\$ 1,015,000
Limited tax notes payable, Series 2017	2.60%	3/27/2017	5/1/2026	1,000,000	905,000
Total				<u>\$ 3,475,000</u>	<u>\$ 1,920,000</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
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	\$ 1,015,000	\$ 61,650	\$ 1,076,650

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

2. Three mill notes issue March 27, 2017:

Year Ending June 30	Principal	Interest	Total
2020	50,000	23,711	73,711
2021	50,000	22,401	72,401
2022	50,000	21,091	71,091
2023	50,000	19,781	69,781
2024	315,000	18,471	333,471
2025-2026	390,000	12,052	402,052
Total	<u>\$ 905,000</u>	<u>\$ 117,507</u>	<u>\$ 1,022,507</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	295,000	47,236	342,236
2021	300,000	41,026	341,026
2022	310,000	34,091	344,091
2023	310,000	26,281	336,281
2024	315,000	18,471	333,471
2025-2026	390,000	12,052	402,052
Total	<u>\$ 1,920,000</u>	<u>\$ 179,157</u>	<u>\$ 2,099,157</u>

B. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction 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:

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Year Ending June 30	Principal	Interest	Total
2020	-	161,250	161,250
2021	-	161,250	161,250
2022	-	161,250	161,250
2023	-	161,250	161,250
2024	-	161,250	161,250
2025-2026	3,000,000	322,500	3,322,500
Total	<u>\$ 3,000,000</u>	<u>\$ 1,128,750</u>	<u>\$ 4,128,750</u>

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

The School District has pledged a portion of future state Educational Enhancement Funds for Buildings and Buses to repay \$3,000,000 in Qualified School Construction Bonds payable issued. Proceeds from the bonds were used to improve the District's buildings. The bonds are payable in part from the pledge and other District monies and are payable through December 1, 2025. Annual transfers to the escrow agent are expected to require all of such state revenues.

C. 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.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 is available at www.pers.ms.gov.

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, 2019 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 PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$3,177,734, \$2,955,135, and \$3,003,253, 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, 2019, the school district reported a liability of \$48,869,831 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019 net pension liability was 0.293813 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.003429 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$5,497,274. At June 30,

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 207,471	\$ 208,415
Net difference between projected and actual earnings on pension plan investments		1,570,895
Changes of assumptions	29,171	25,902
Changes in proportion and differences between District contributions and proportionate share of contributions	1,141,282	
District contributions subsequent to the measurement date	3,177,734	
Total	\$ <u>4,555,658</u>	\$ <u>1,805,212</u>

\$3,177,734 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, 2020. 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:	
2020	\$ 1,162,071
2021	(69,913)
2022	(1,299,674)
2023	(219,772)
Total	<u>(427,288)</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

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 (9.00%) and that Employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current employer contribution rate (17.40%) thereafter. 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.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 64,347,544	\$ 48,869,831	\$ 36,005,808

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$145,324 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the District reported a liability of \$3,289,690 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

of June 30, 2018, the District's proportion was 0.42527175 percent. This was an increase of 0.02254914 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$196,107. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,698	\$
Changes of assumptions		234,397
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	258,325	
District contributions subsequent to the measurement date	145,324	
Total	\$ <u>410,347</u>	\$ <u>234,397</u>

\$145,324 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ 4,605
2021	4,605
2022	4,605
2023	4,605
2024	7,074
Thereafter	5,132

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Single Equivalent Interest Rate, net
of OPEB plan investment expense,
including inflation

Measurement Date	3.89%
Prior Measurement Date	3.56%

Health Care Cost Trends

Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 3,646,539	\$ 3,289,690	\$ 2,982,788

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 3,047,340	\$ 3,289,690	\$ 3,564,930

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2020	52,290
2021	31,213
2022	29,045
2023	26,613
2024	23,149
2025-2029	69,346
2030-2034	4,478
2035-2039	694
Thereafter	1,000
Total	<u>\$ 237,828</u>

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 10 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct fund balances at the governmental fund level	4,170,324
2. To correct long term debt balances	45,000
3. To correct capital asset balances	4,232
Total	<u>\$ 4,219,556</u>

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

Fund	Explanation	Amount
General Fund	To correct fund balances	4,584,663
Other governmental Funds	To correct fund balances	(414,339)
Total		<u>\$ 4,170,324</u>

Note 11 – Contingencies

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

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.

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. On April 30, 2020, the chancery court judge ruled that Wayne County School District owes \$1,800,000 in revenue derived from the Sixteenth section shared township. Wayne County School District appealed the Chancery Court's opinion. As of September 4, 2020, the case is pending an appeal to the Mississippi Supreme Court.

Note 12 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these 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, 2019

Note 13 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2019, the subsidy payments amounted to \$149,297.

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, 2019 was \$1,618,769. 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
2020	200,000
2021	200,000
2022	200,000
2023	200,000
2024	200,000
2025-2026	400,000
Total	<u>\$ 1,400,000</u>

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 14 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$26,229,125 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from charges on refunding of debt. The \$59,171 balance of deferred outflow of resources, at June 30, 2019 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 (\$79,737,017) 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 \$3,177,734 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, 2020. The \$1,377,924 balance of the deferred outflow of resources related to pensions at June 30, 2019 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$1,805,212 balance of the deferred inflow of resources related to pensions at June 30, 2019 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 3 years.

The unrestricted net position (deficit) amount of (\$79,737,017) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$145,324 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources totaling \$265,023 and deferred inflows of resources totaling \$234,397 related to OPEB at June 30, 2019, will be recognized in OPEB expense over the next 6 years.

Note 15 – 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 (\$30,089,833) due to the sixteenth section principal loan balance in the amount of \$6,756,796 and the adjustment of cash back to the 16th 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 16 - Insurance loss recoveries

The Wayne County School District received \$15,991 in insurance loss recoveries during the fiscal year related to damage to property. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to support services expense.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Wayne County School District evaluated the activity of the district through September 4, 2020, (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.

Mississippi Senate Bill 2565 was passed and signed by the governor on June 11, 2020. The bill will allow Wayne County School District to use funds that were earned from the Sixteenth Section Principal fund when the loans have been paid current. This will help to reduce the deficit cash balance in the General fund in a future period.

On July 2, 2020, Wayne County School District discovered the district was a victim of a cyber breach. During this breach, the district had a material loss of funds from the Sixteenth Section Principal Fund. At the current report date, it has not been determined the amount of funds that will be able to be recovered from the breach, if any. The breach is currently under investigation by the FBI.

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,705,636	\$ 6,128,246	\$ 6,227,461	\$ (577,390)	\$ 99,215
State sources	16,397,747	16,976,462	17,116,730	578,715	140,268
Federal sources	265,985	220,641	235,191	(45,344)	14,550
Sixteenth section sources	1,015,038	784,115	1,001,484	(230,923)	217,369
Total Revenues	24,384,406	24,109,464	24,580,866	(274,942)	471,402
Expenditures:					
Instruction	17,461,762	18,017,435	17,969,886	(555,673)	47,549
Support services	9,863,892	9,845,064	9,888,671	18,828	(43,607)
Noninstructional services	34,403	75,714	75,714	(41,311)	-
Sixteenth section	308,138	6,000	6,000	302,138	-
Facilities Acquisition and Construction	97,100	2,425		94,675	2,425
Debt service:					
Interest	48,250		259,878	48,250	(259,878)
Other		9,670	9,670	(9,670)	-
Total Expenditures	27,813,545	27,956,308	28,209,819	(142,763)	(253,511)
Excess (Deficiency) of Revenues over (under) Expenditures	(3,429,139)	(3,846,844)	(3,628,953)	(417,705)	217,891
Other Financing Sources (Uses):					
Proceeds of Loan	1,000,000			(1,000,000)	-
Insurance loss recoveries	24,125	15,991	15,991	(8,134)	-
Operating transfers in	2,700,000	2,773,516	50,000	73,516	(2,723,516)
Operating transfers out	(1,448,465)	(4,010,630)	(1,238,915)	(2,562,165)	2,771,715
Total Other Financing Sources (Uses)	2,275,660	(1,221,123)	(1,172,924)	(3,496,783)	48,199
Net Change in Fund Balances	(1,153,479)	(5,067,967)	(4,801,877)	(3,914,488)	266,090
Fund Balances:					
July 1, 2018, as previously reported	(29,872,619)	(29,872,619)	(29,872,619)	-	-
Prior period adjustments			4,584,663	-	4,584,663
July 1, 2018, as restated	(29,872,619)	(29,872,619)	(25,287,956)	-	4,584,663
June 30, 2019	\$ (31,026,098)	\$ (34,940,586)	\$ (30,089,833)	\$ (3,914,488)	\$ 4,850,753

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>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
District's proportion of the net pension liability	0.293813%		0.297242%		0.281943%		0.279777%		0.273892%
District's proportionate share of the net pension liability	\$ 48,869,831	\$	49,411,709	\$	50,362,060	\$	43,248,007	\$	33,245,474
District's covered payroll	\$ 18,762,762	\$	19,068,273	\$	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	260.4618%		259.1305%		279.2215%		247.4300%		198.6435%
Plan fiduciary net position as a percentage of the total pension liability	62.535%		61.490%		57.468%		61.704%		67.208%

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
Required Supplementary Information**

**Schedule of District Contributions
PERS
Last 10 Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,177,734	\$ 2,955,135	\$ 3,003,253	\$ 2,840,764	\$ 2,752,925
Contributions in relation to the contractually required contribution	3,177,734	2,955,135	3,003,253	2,840,764	2,752,925
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
District's covered payroll	\$ 20,176,089	\$ 18,762,762	\$ 19,068,273	\$ 18,036,597	\$ 17,478,889
Contributions as a percentage of covered payroll	15.75%	15.75%	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
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OPEB

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.42527175%	0.40272261%
District's proportionate share of the net OPEB liability	\$ 3,289,690	\$ 3,159,798
District's covered-employee payroll	19,234,752	18,093,219
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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, 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
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 145,324	\$ 134,707
Contributions in relation to the actuarially determined contributions	145,324	134,707
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>
District's covered-employee payroll	\$ 20,176,089	\$ 18,762,762
Contributions as a percentage of covered-employee payroll	0.72%	0.72%

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 Statement No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

(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.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.75%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2023
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

SUPPLEMENTARY INFORMATION

WAYNE COUNTY SCHOOL DISTRICT
Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 854,986
National school lunch program	10.555	195MS326N1099	1,489,623
Summer Feeding	10.559	195MS326N1099	17,317
Total child nutrition cluster			<u>2,361,926</u>
Total passed-through Mississippi Department of Education			<u>2,361,926</u>
Passed-through Wayne County, Mississippi:			
Schools and Roads - grants to states	10.665	*	<u>16,091</u>
Total passed-through Wayne County, Mississippi			<u>16,091</u>
Total U.S. Department of Agriculture			<u>2,378,017</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve officers' training corps	12.XXX	*	<u>76,796</u>
Total U.S. Department of Defense			<u>76,796</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A180024	1,478,893
Career and technical education - basic grants to states	84.048	V048A180024	826
Rural Education	84.358	ES3588180024	91,399
English Language Acquisition State grants	84.365	ES365A180024	1,837
Supporting Effective Instruction state grants	84.367	ES367A180023	220,399
Student Support and Academic Enrichment program	84.424	S424A180025	72,489
Subtotal			<u>1,865,843</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	927,392
Special education - preschool grants	84.173	H173A180113	65,588
Total special education cluster			<u>992,980</u>
Total passed-through Mississippi Department of Education			<u>2,858,823</u>
Total U.S. Department of Education			<u>2,858,823</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1905MS5ADM	65,653
Total passed-through Mississippi Department of Education			<u>65,653</u>
Total U.S. Department of Health and Human Services			<u>65,653</u>
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Education:			
Social Security Disability Insurance	96.001	04-19-04MSDI00	1,610
Total passed-through Mississippi Department of Education			<u>1,610</u>
Total U.S. Department of Social Security Administration			<u>1,610</u>
Total for All Federal Awards			<u>\$ 5,380,899</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, 2019

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, 2019. 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.

*- the passthrough entity did not provide any identifying number.

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, 2019

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 27,960,391	20,970,145	1,412,068	1,726,296	3,851,882
Other	<u>8,850,532</u>	<u>2,460,016</u>	<u>742,872</u>	<u>27,493</u>	<u>5,620,151</u>
Total	<u>\$ 36,810,923</u>	<u>23,430,161</u>	<u>2,154,940</u>	<u>1,753,789</u>	<u>9,472,033</u>
Total number of students *	<u>3,312</u>				
Cost per student	<u>\$ 11,115</u>	<u>7,074</u>	<u>651</u>	<u>530</u>	<u>2,860</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

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 6,227,461	\$ 5,743,357	\$ 6,255,055	\$ 5,821,966
State sources	17,116,730	16,631,679	15,983,925	16,309,588
Federal sources	235,191	247,090	629,886	544,400
Sixteenth Section sources	1,001,484	793,157	644,129	1,148,978
Total Revenues	24,580,866	23,415,283	23,512,995	23,824,932
Expenditures:				
Instruction	17,969,886	17,588,113	15,863,821	14,551,404
Support services	9,888,671	11,764,050	10,813,856	10,229,987
Noninstructional services	75,714	68,937	20,678	13,255
Sixteenth section	6,000	-	-	-
Debt Service:				
Interest	259,878	198,257	498,844	213,446
Other	9,670			
Total Expenditures	28,209,819	29,619,357	27,197,199	25,008,092
Excess (Deficiency) of Revenues over (under) Expenditures	(3,628,953)	(6,204,074)	(3,684,204)	(1,183,160)
Other Financing Sources (Uses):				
Insurance recovery	15,991	-	-	5,644
Bonds and notes issued	-	-	1,000,000	-
Operating transfers in	50,000		232,370	2,442,295
Operating transfers out	(1,238,915)	(1,589,568)	(1,399,481)	(2,068,392)
Total Other Financing Sources (Uses)	(1,172,924)	(1,589,568)	(167,111)	379,547
Net Change in Fund Balances	(4,801,877)	(7,793,642)	(3,851,315)	(803,613)
Fund Balances:				
Beginning of period, as previously reported	(29,872,619)	(14,074,915)	(4,111,510)	(3,303,634)
Prior period adjustments	4,584,663	(8,004,062)	(6,112,090)	(4,263)
Beginning of period, as restated	(25,287,956)	(22,078,977)	(10,223,600)	(3,307,897)
End of Period	\$ (30,089,833)	\$ (29,872,619)	\$ (14,074,915)	\$ (4,111,510)

*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

	2019	2018*	2017*	2016*
Revenues:				
Local sources	\$ 6,834,425	\$ 6,221,608	\$ 6,709,102	\$ 6,264,592
State sources	17,864,238	17,315,925	17,204,398	17,518,983
Federal sources	5,910,729	5,605,472	5,859,054	6,127,468
Sixteenth section sources	2,436,535	7,225,753	5,697,756	9,814,599
Total Revenues	33,045,927	36,368,758	35,470,310	39,725,642
Expenditures:				
Instruction	20,507,864	20,348,449	18,891,432	18,062,550
Support services	12,110,575	13,773,632	12,513,862	12,283,545
Noninstructional services	2,339,693	2,413,962	2,288,403	2,144,304
Sixteenth section	1,073,910	635,233	781,861	927,763
Facilities acquisition and construction	-	-	-	-
Debt service:				
Principal	290,000	892,507	790,000	760,000
Interest	476,016	403,886	730,494	470,339
Other	12,865	3,895	4,476	4,017
Total Expenditures	36,810,923	38,471,564	36,000,528	34,652,518
Excess (Deficiency) of Revenues over (under) Expenditures	(3,764,996)	(2,102,806)	(530,218)	5,073,124
Other Financing Sources (Uses):				
Insurance recovery	15,991		-	35,656
Bonds and notes issued			1,000,000	
Payment held by QSCB debt escrow agent	168,385	172,281	196,091	327,012
Payment to QSCB debt escrow agent	(168,385)	(172,281)	(196,091)	(327,012)
Sale of other property	-	-	-	-
Operating transfers in	1,357,835	1,621,876	1,763,571	4,663,129
Operating transfers out	(1,357,835)	(1,621,876)	(1,763,571)	(4,663,129)
Total Other Financing Sources (Uses)	15,991	0	1,000,000	35,656
Net Change in Fund Balances	(3,749,005)	(2,102,806)	469,782	5,108,780
Fund Balances:				
Beginning of period, as previously reported	77,112,660	80,667,481	82,535,134	77,807,282
Prior period adjustment	4,170,324	(1,461,935)	(2,340,626)	(380,810)
Beginning of period, as restated	81,282,984	79,205,546	80,194,508	77,426,472
Increase (Decrease) in reserve for inventory	603	9,920	3,191	(118)
End of Period	\$ 77,534,582	\$ 77,112,660	\$ 80,667,481	\$ 82,535,134

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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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, 2019, 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 September 4, 2020 .

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 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006 and 2019-007** 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 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006 and 2019-007.**

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
September 4, 2020

McKenzie CPA, PLLC



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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, 2019. 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-008. Our opinion on each major federal program is not modified with respect to these matters.

Wayne County School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding **2019-008** that we consider to be a material weakness.

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

Purpose of this Report

The purpose of this report 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
September 4, 2020

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC".

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



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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, 2019, which collectively comprise Wayne County School District's basic financial statements and have issued our report thereon dated September 4, 2020. 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 immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

Finding 01:

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 four timber sales out of five timber sales during the fiscal year 2019.

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 finding in this report to ensure that corrective action has been taken.

The Wayne County School District's response to the finding included in this report was 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
September 4, 2020



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WAYNE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued:

Governmental Activities	Qualified
General Fund	Adverse
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?	Yes
b. Significant deficiency identified?	None reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
10.553; 10.555; 10.559	Child Nutrition Cluster

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). Yes

WAYNE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II: Financial Statement Findings

Material Non-compliance/Material Weaknesses

2019-001 Finding

Repeat Finding 2017-001 and 2018-001

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 \$30,089,833 was reported in the audit for the fiscal year ended June 30, 2019. The districts cash and cash equivalent balance in the General fund is also a deficit balance of \$21,948,551.

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, 2019

2019-002 Finding

Repeat Finding 2017-002 and 2018-002

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, 2017, 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. As of the date of the report, the district is still in default on these payments.

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 (\$21,948,551). 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, 2019

2019-003 Finding

Repeat Finding 2017-003 and 2018-003

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, 2019

2019-004 Finding

Repeat Finding from 2018-004, 2017-004 and 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, 2019

2019-005 Finding

Repeat Finding 2017-005 and 2018-005

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.

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, 2019

2019-006 Finding

Repeat finding from 2018-006, 2017-006 and 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. Capital assets are not being reconciled monthly to the ledger.

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, 2019

2019-007 Finding

Repeat Finding 2017-007 and 2018-007

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 balances in several federal funds 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, 2019

Section III: Federal Award Findings and Questioned Costs

Material Weaknesses and Noncompliance

2019-008 Finding

Cash management excessive cash and fund balances.

Programs:

Title I Grants to Local Educational Agencies, CFDA #84.010

Supporting Effective Instruction state grants, CFDA #84.367

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 review of cash management:

1. The cash balance was excessive for Title I Fund by \$273,560 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 \$72,412 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district. \$72,412 is the remaining fund balance at year end.

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 these particular fund allocations could result in questioned cost by the federal agencies.

Questioned Cost:

Title I Grants to local educational agencies - \$273,560

Supporting Effective Instruction state grants - \$72,412

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
Tommy Branch, 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, 2019:

Finding	Corrective Action Plan Details
2019-001	<p>District expended more funds than resources available.</p> <p>A. Name of contact person responsible for corrective action: Name: Tommy Branch 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, 2021.</p>
2019-002	<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: Tommy Branch 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, 2021</p>

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

2019-003

District does not have proper Segregation of Duties

D. Name of contact person responsible for corrective action:

Name: Tommy Branch

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, 2021

2019-004

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, 2021

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

2019-005

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, 2021

2019-006

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, 2021

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

2019-007

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

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, 2021

2019-008

Cash management excessive cash and fund balances.

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 reporting and make sure accruals are reconciled and are properly stated on the financials to ensure federal request are accurately requested.

C. Anticipated completion date:

June 30, 2021

**Wayne County School District
P. O. Box 256
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Tommy Branch, Superintendent
Dennis Singleterry, Business Manager**

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Uniform Guidance, the Wayne County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2019:

<u>Findings</u>	<u>Status</u>
2018-001	See 2019-001
2018-002	See 2019-002
2018-003	See 2019-003
2018-004	See 2019-004
2018-005	See 2019-005
2018-006	See 2019-006
2018-007	See 2019-007
2018-008	Corrected