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WAYNE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2021

# WAYNE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Wayne County School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District as of and for the year ended June 30, 2021, 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 audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, 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 4-12 and 46-50 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.

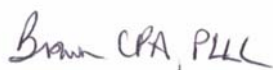
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for 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 February 11, 2022, 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.

Brown CPA, PLLC  
Madison, Mississippi  
February 11, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

WAYNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

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, 2021. 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 2021 decreased \$4,832,248, including a prior period adjustment of \$1,820,600, which represents an 10% decrease from fiscal year 2020. Total net position for 2020 decreased \$4,077,786, including a prior period adjustment of (\$974,966), which represents an 8% decrease from fiscal year 2019.
- General revenues amounted to \$25,084,809 and \$30,640,149, or 73% and 81% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,487,333, or 27% of total revenues for 2021, and \$7,178,385, or 19% of total revenues for 2020.
- The district had \$37,347,628 and \$40,921,354 in expenses for fiscal years 2021 and 2020; only \$9,487,333 for 2021 and \$7,178,385 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$25,084,809 for 2021 and \$30,640,149 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$24,601,040 in revenues and \$23,980,191 in expenditures for 2021, and \$26,788,691 in revenues and \$28,012,084 in expenditures for 2020. The General Fund's fund balance increased by \$1,257,288, including a prior period adjustment of \$111,859 from 2020 to 2021, and increased by \$26,071,048, including a prior period adjustment of 27,633,876 from 2019 to 2020.
- Capital assets, net of accumulated depreciation, decreased by \$1,141,160 for 2021 and decreased by \$1,313,674 for 2020. The decrease for 2021 was due primarily to normal depreciation and disposals.
- Long-term debt decreased by \$329,023 for 2021 and decreased by \$294,160 for 2020. The decrease for 2021 was due primarily to principal payments. The liability for compensated absences increased by \$29,023 for 2021 and increased by \$840 for 2020.

## **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.



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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 are classified as governmental funds.

**Governmental funds** – All 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.

### **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.

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.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2021

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 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 \$45,168,188 as of June 30, 2021.

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

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Management's Discussion and Analysis  
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Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

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

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 6,470,030	\$ 4,197,789	54.13 %
Restricted assets	71,708,760	76,345,065	(6.07) %
Capital assets, net	28,641,780	29,782,940	(3.83) %
<b>Total assets</b>	<b>106,820,570</b>	<b>110,325,794</b>	<b>(3.18) %</b>
<b>Deferred outflows of resources</b>	<b>8,397,410</b>	<b>6,941,280</b>	<b>20.98 %</b>
Current liabilities	1,878,319	3,043,767	(38.29) %
Long-term debt outstanding	4,598,095	4,928,784	(6.71) %
Net OPEB liability	3,292,976	3,625,565	(9.17) %
Net pension liability	58,199,830	54,498,877	6.79 %
<b>Total liabilities</b>	<b>67,969,220</b>	<b>66,096,993</b>	<b>2.83 %</b>
<b>Deferred inflows of resources</b>	<b>2,080,572</b>	<b>1,169,645</b>	<b>77.88 %</b>
<b>Net position:</b>			
Net investment in capital assets	24,343,037	25,197,324	(3.39) %
Restricted	79,080,879	81,517,872	(2.99) %
Unrestricted	(58,255,728)	(56,714,760)	(2.72) %
<b>Total net position</b>	<b>\$ 45,168,188</b>	<b>\$ 50,000,436</b>	<b>(9.66) %</b>

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)	\$(58,255,728)
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	55,205,553
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ (3,050,175)</u>

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

- Decrease in net capital assets in the amount of \$1,141,160.
- The principal retirement of \$300,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$58,199,830.
- Recognition of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$3,292,976
- Recognition of an extraordinary item in the amount of (\$3,877,362).

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Management's Discussion and Analysis  
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**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$34,572,142 and \$37,818,534, respectively. The total cost of all programs and services was \$37,347,628 for 2021 and \$40,921,354 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

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

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 734,151	\$ 814,640	(9.88) %
Operating grants and contributions	8,753,182	6,363,745	37.55 %
General revenues:			
Property taxes	6,195,899	5,764,964	7.48 %
Grants and contributions not restricted	17,690,354	17,378,335	1.80 %
Investment earnings	(230,858)	2,008,454	(111.49) %
Sixteenth section sources	1,320,602	5,335,733	(75.25) %
Other	108,812	152,663	(28.72) %
<b>Total revenues</b>	<b>34,572,142</b>	<b>37,818,534</b>	<b>(8.58) %</b>
<b>Expenses:</b>			
Instruction	17,493,660	17,776,541	(1.59) %
Support services	10,941,901	11,899,834	(8.05) %
Non-instructional	1,916,507	1,932,659	(0.84) %
Sixteenth section	617,143	1,173,358	(47.40) %
Pension expense	5,878,344	6,524,393	(9.90) %
OPEB expense	113,411	254,242	(55.39) %
Interest on long-term liabilities	386,662	1,360,327	(71.58) %
<b>Total expenses</b>	<b>37,347,628</b>	<b>40,921,354</b>	<b>(8.73) %</b>
<b>Extraordinary item</b>	<b>(3,877,362)</b>	<b>-</b>	<b>N/A %</b>
<b>Increase (Decrease) in net position</b>	<b>(6,652,848)</b>	<b>(3,102,820)</b>	<b>(114.41) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>50,000,436</b>	<b>54,078,222</b>	<b>(7.54) %</b>
<b>Prior Period Adjustment</b>	<b>1,820,600</b>	<b>(974,966)</b>	<b>286.73 %</b>
<b>Net Position, July 1, as restated</b>	<b>51,821,036</b>	<b>53,103,256</b>	<b>(2.41) %</b>
<b>Net Position, June 30</b>	<b>\$ 45,168,188</b>	<b>\$ 50,000,436</b>	<b>(9.66) %</b>

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Management's Discussion and Analysis  
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**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**

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2021</b>	<b>2020</b>	<b>Change</b>
Instruction	\$ 17,493,660	\$ 17,776,541	(1.59) %
Support services	10,941,901	11,899,834	(8.05) %
Non-instructional	1,916,507	1,932,659	(0.84) %
Sixteenth section	617,143	1,173,358	(47.40) %
Pension expense	5,878,344	6,524,393	(9.90) %
OPEB expense	113,411	254,242	(55.39) %
Interest on long-term liabilities	386,662	1,360,327	(71.58) %
<b>Total expenses</b>	<b>\$ 37,347,628</b>	<b>\$ 40,921,354</b>	<b>(8.73) %</b>
	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2021</b>	<b>2020</b>	<b>Change</b>
Instruction	\$ (12,282,972)	\$ (14,793,953)	16.97 %
Support services	(8,757,067)	(9,943,806)	11.93 %
Non-instructional	175,304	307,110	(42.92) %
Sixteenth section	(617,143)	(1,173,358)	47.40 %
Pension Expense	(5,878,344)	(6,524,393)	9.90 %
OPEB expense	(113,411)	(254,242)	55.39 %
Interest on long-term liabilities	(386,662)	(1,360,327)	71.58 %
<b>Total net (expense) revenue</b>	<b>\$ (27,860,295)</b>	<b>\$ (33,742,969)</b>	<b>17.43 %</b>

- Net cost of governmental activities (\$27,860,295 for 2021 and \$33,742,969 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$6,195,899 for 2021 and \$5,764,964 for 2020) and state and federal revenues (\$17,690,354 for 2021 and \$17,378,335 for 2020). In addition, there was \$1,320,602 and \$5,335,733 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to (\$230,858) for 2021 and \$2,008,454 for 2020.

**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 \$76,401,255, a decrease of \$1,199,878, which includes a prior period adjustment of \$1,805,614 and a decrease in inventory of

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Management's Discussion and Analysis  
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\$60,515. The unassigned fund balance is (\$3,371,680), 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 \$79,772,935 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 increase in fund balance in the General Fund for the fiscal year was \$1,257,288, which includes a prior period adjustment of \$111,859. The fund balance of Other Governmental Funds showed an increase in the amount of \$220,647, which includes a prior period adjustment of (\$846,694) and a decrease in inventory of \$60,515. 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	\$ (2,677,813)

### 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, 2021, the District's total capital assets were \$49,491,486, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,927 from 2020 due primarily to the addition of furniture and equipment and an adjustment to building improvements. Total accumulated depreciation as of June 30, 2021, was \$20,849,706, and total depreciation expense for the year was \$1,219,016, resulting in total net capital assets of \$28,641,780.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 223,257	\$ 223,257	0.00 %
Buildings	23,881,564	24,532,486	(2.65) %
Building improvements	1,025,807	1,115,351	(8.03) %
Improvements other than buildings	1,830,317	1,933,465	(5.33) %
Mobile equipment	1,493,097	1,770,254	(15.66) %
Furniture and equipment	187,738	208,127	(9.80) %
<b>Total</b>	<b><u>\$ 28,641,780</u></b>	<b><u>\$ 29,782,940</u></b>	<b>(3.83) %</b>

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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2021

**Debt Administration.** At June 30, 2021, the District had \$4,594,767 in outstanding long-term debt, excluding bond premiums of \$3,328, of which \$323,488 is due within one year. During the fiscal year, the District made principal payments totaling \$300,000 on outstanding long-term debt. The liability for compensated absences decreased \$29,023 from the prior year.

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

	June 30, 2021	June 30, 2020	Percentage Change
Three mill notes payable	1,325,000	1,625,000	(18.46) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	269,767	298,790	(9.71) %
<b>Total</b>	<b>\$ 4,594,767</b>	<b>\$ 4,923,790</b>	<b>(6.68) %</b>

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

## **CURRENT ISSUES**

The Wayne County School District is in a financially weak position due to the low amount of working cash available and a negative general fund balance. 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, 2021

## Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,582,941
Due from other governments	1,189,182
Accrued interest receivable	156,780
Other receivables, net	2,500,000
Inventories	41,127
Restricted assets	71,708,760
Capital assets, non-depreciable:	
Land	223,257
Capital assets, net of accumulated depreciation:	
Buildings	23,881,564
Building improvements	1,025,807
Improvements other than buildings	1,830,317
Mobile equipment	1,493,097
Furniture and equipment	187,738
Total Assets	<u>106,820,570</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	29,585
Deferred outflow related to pensions	7,586,672
Deferred outflows - OPEB	781,153
Total Deferred Outflows of Resources	<u>8,397,410</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,777,535
Interest payable on long-term liabilities	100,784
Long-term liabilities, due within one year:	
Capital related liabilities	310,000
Non-capital related liabilities	13,488
Net OPEB liability	124,605
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,015,000
Capital related bond premiums	3,328
Non-capital related liabilities	256,279
Net pension liability	58,199,830
Net OPEB liability	3,168,371
Total Liabilities	<u>67,969,220</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	1,339,492
Deferred inflows - OPEB	741,080
Total Deferred Inflows of Resources	<u>2,080,572</u>
<b>Net Position</b>	
Net investment in capital assets	24,343,037
Restricted for:	
Expendable:	
School-based activities	686,407
Debt service	2,226,621
Forestry improvements	266,627
Unemployment benefits	63,626
Non-expendable:	
Sixteenth section	75,837,598
Unrestricted	(58,255,728)
Total Net Position (deficit)	<u>\$ 45,168,188</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, 2021**

**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
<b>Governmental Activities:</b>					
Instruction	\$ 17,493,660	\$ 721,475	\$ 4,489,213	\$ -	\$ (12,282,972)
Support services	10,941,901	-	2,184,834	-	(8,757,067)
Non-instructional	1,916,507	12,676	2,079,135	-	175,304
Sixteenth section	617,143	-	-	-	(617,143)
Pension expense	5,878,344	-	-	-	(5,878,344)
OPEB expense	113,411	-	-	-	(113,411)
Interest on long-term liabilities	386,662	-	-	-	(386,662)
<b>Total Governmental Activities</b>	<b>\$ 37,347,628</b>	<b>\$ 734,151</b>	<b>\$ 8,753,182</b>	<b>\$ -</b>	<b>\$ (27,860,295)</b>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					5,731,053
Debt purpose levies					464,846
Unrestricted grants and contributions:					
State					17,584,706
Federal					105,648
Unrestricted investment earnings					(230,858)
Sixteenth section sources					1,320,602
Other					108,812
Total General Revenues					25,084,809
Extraordinary Item					(3,877,362)
Total General Revenues and Extraordinary Item					21,207,447
Change in Net Position					(6,652,848)
Net Position - Beginning, as previously reported					50,000,436
Prior Period Adjustments					1,820,600
Net Position - Beginning, as restated					51,821,036
Net Position (deficit) - Ending					\$ 45,168,188

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

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

**Balance Sheet**  
**June 30, 2021**

**Exhibit C**

	Major Funds			
	General	Sixteenth	Other	Total
	Fund	Section Principal	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,199,570	\$ 856,676	\$ 1,383,371	\$ 3,439,617
Cash with fiscal agents	-	1,014,586	22,972	1,037,558
Investments	-	67,814,675	1,999,851	69,814,526
Due from other governments	442,468	-	746,714	1,189,182
Accrued interest receivable	-	152,292	4,488	156,780
Other receivables, net	-	2,500,000	-	2,500,000
Due from other funds	434,947	-	-	434,947
Advance to other funds	-	3,499,369	-	3,499,369
Inventories	-	-	41,127	41,127
Total assets	\$ 2,076,985	\$ 75,837,598	\$ 4,198,523	\$ 82,113,106
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,339,113	\$ -	\$ 438,422	\$ 1,777,535
Due to other funds	-	-	434,947	434,947
Advances from other funds	3,499,369	-	-	3,499,369
Total Liabilities	4,838,482	-	873,369	5,711,851
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	41,127	41,127
Permanent fund principal	-	72,338,229	-	72,338,229
Advances	-	3,499,369	-	3,499,369
<b>Restricted:</b>				
Debt service	-	-	2,327,405	2,327,405
Forestry improvement purposes	-	-	266,627	266,627
Grant activities	18,911	-	626,369	645,280
Unemployment benefits	-	-	63,626	63,626
<b>Assigned:</b>				
Activity funds	591,272	-	-	591,272
<b>Unassigned</b>	(3,371,680)	-	-	(3,371,680)
Total Fund Balances	(2,761,497)	75,837,598	3,325,154	76,401,255
Total Liabilities and Fund Balances	\$ 2,076,985	\$ 75,837,598	\$ 4,198,523	\$ 82,113,106

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, 2021**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 76,401,255**

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	3,005,544	
Improvements other than buildings	2,796,448	
Mobile equipment	5,849,026	
Furniture and equipment	1,654,432	
Accumulated depreciation	<u>(20,849,706)</u>	28,641,780

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 (58,199,830)

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	7,586,672	
Deferred inflows of resources related to pensions	<u>(1,339,492)</u>	(51,952,650)

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 (3,292,976)

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	781,153	
Deferred inflows of resources related to OPEB	<u>(741,080)</u>	(3,252,903)

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	(1,325,000)	
Compensated absences	(269,767)	
Unamortized charges	29,585	
Unamortized premiums	(3,328)	
Accrued interest payable	<u>(100,784)</u>	(4,669,294)

**Net Position of governmental activities** **\$ 45,168,188**

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, 2021**

**Exhibit D**

	Major Funds			
	General	Sixteenth	Other	Total
	Fund	Section Principal	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Revenues:</b>				
Local sources	\$ 6,538,016	\$ -	\$ 576,270	\$ 7,114,286
State sources	17,804,703	-	801,966	18,606,669
Federal sources	113,829	-	7,723,039	7,836,868
Sixteenth section sources	144,492	847,334	13,724	1,005,550
Total Revenues	24,601,040	847,334	9,114,999	34,563,373
<b>Expenditures:</b>				
Instruction	14,733,934	-	4,423,382	19,157,316
Support services	9,073,840	-	2,160,204	11,234,044
Noninstructional services	379	-	1,956,078	1,956,457
Sixteenth section	2,888	517,682	96,573	617,143
Debt service:				
Principal	-	-	300,000	300,000
Interest	169,150	-	202,587	371,737
Other	-	-	3,060	3,060
Total Expenditures	23,980,191	517,682	9,141,884	33,639,757
Excess (Deficiency) of Revenues over (under) Expenditures	620,849	329,652	(26,885)	923,616
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	8,769	2,500,000	-	2,508,769
Payments held by escrow agent	-	-	162,034	162,034
Payment to QSCB debt escrow agent	-	-	(162,034)	(162,034)
Operating transfers in	1,939,784	-	1,556,366	3,496,150
Operating transfers out	(1,423,973)	(1,670,552)	(401,625)	(3,496,150)
Other financing uses	-	(6,377,362)	-	(6,377,362)
Total Other Financing Sources (Uses)	524,580	(5,547,914)	1,154,741	(3,868,593)
Net Change in Fund Balances	1,145,429	(5,218,262)	1,127,856	(2,944,977)
<b>Fund Balances:</b>				
July 1, 2020, as previously reported	(4,018,785)	78,515,411	3,104,507	77,601,133
Prior Period Adjustments	111,859	2,540,449	(846,694)	1,805,614
July 1, 2020, as restated	(3,906,926)	81,055,860	2,257,813	79,406,747
Increase (Decrease) in inventory	-	-	(60,515)	(60,515)
June 30, 2021	\$ (2,761,497)	\$ 75,837,598	\$ 3,325,154	\$ 76,401,255

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, 2021**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ (2,944,977)**

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	\$ 63,748	
	Depreciation expense	(1,219,016)	(1,155,268)
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.		(878)
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	300,000	
	Accrued interest payable	1,262	301,262
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	(5,878,344)	
	Contributions subsequent to the measurement date	3,086,220	(2,792,124)
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	(113,411)	
	Contributions subsequent to the measurement date	97,167	(16,244)
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	29,023	
	Change in inventory	(60,515)	
	Amortization of deferred charges, premiums and discounts	(13,127)	(44,619)
<b>Change in Net Position of governmental activities</b>			<b>\$ (6,652,848)</b>

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, 2021

**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, 2021

Fund Financial Statements - Separate financial statements are provided for governmental funds. 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.

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.



WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2021

**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. 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, 2021

**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, 2021

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred 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 15 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, 2021

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 15 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.

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Notes to the Financial Statements  
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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 5% 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 16 for more detail on the district's restoration plan.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
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13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

**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 was \$3,439,617. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$2,582,941 and a portion of restricted assets in the amount of \$71,708,760 (see Note 4).

WAYNE COUNTY SCHOOL DISTRICT  
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*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, 2021, none of the district's bank balance of \$4,607,879 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 \$1,037,558.

#### Investments

As of June 30, 2021, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Bonds	AAA	More than one year	\$ 1,999,851
U.S. Government Bonds	AAA	More than one year	67,814,675
Total			<u>\$ 69,814,526</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, 2021:

- Level 1 type of investments of \$69,814,526 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, 2021, 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.

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**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	\$ 434,947
Total		<u>\$ 434,947</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	\$ 3,499,369
Total		<u>\$ 3,499,369</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.

Year Ending June 30	Principal	Interest	Total
2022	327,524	139,975	467,499
2023	340,625	126,874	467,499
2024	301,228	113,249	414,477
2025	253,721	101,200	354,921
2026	211,533	91,051	302,584
2027-2031	1,191,559	321,359	1,512,918
2032-2035	873,179	73,741	946,920
Total	<u>\$ 3,499,369</u>	<u>\$ 967,449</u>	<u>\$ 4,466,818</u>



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**C. Inter-fund Transfers**

Transfers In	Transfers Out	Amount
General fund	Other governmental funds	\$ 269,232
General fund	16th section principal fund	1,670,552
Other governmental funds	General fund	1,423,973
Other governmental funds	Other governmental funds	132,393
Total		<u>\$ 3,496,150</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 \$856,676; 1,014,586 and \$67,814,675, 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 \$22,972 and \$1,999,851, respectively, of the QSCB Debt Retirement Fund.

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**Note 5 – Capital Assets**

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

	Balance 7/1/2020	Increases	Decreases	Adjustments	Balance 6/30/2021
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 223,257	\$ -	\$ -	\$ -	\$ 223,257
Total non-depreciable capital assets	223,257	-	-	-	223,257
<u>Depreciable capital assets:</u>					
Buildings	35,962,779	-	-	-	35,962,779
Building improvements	2,979,594	-	-	25,950	3,005,544
Improvements other than buildings	2,796,448	-	-	-	2,796,448
Mobile equipment	5,849,026	-	-	-	5,849,026
Furniture and equipment	1,678,455	63,748	(87,770)	(1)	1,654,432
Total depreciable capital assets	49,266,302	63,748	(87,770)	25,949	49,268,229
<u>Less accumulated depreciation for:</u>					
Buildings	11,430,293	650,922	-	-	12,081,215
Building improvements	1,864,243	109,266	-	6,228	1,979,737
Improvements other than buildings	862,983	103,148	-	-	966,131
Mobile equipment	4,078,772	277,157	-	-	4,355,929
Furniture and equipment	1,470,328	78,523	(86,892)	4,735	1,466,694
Total accumulated depreciation	19,706,619	1,219,016	(86,892)	10,963	20,849,706
Total depreciable capital assets, net	29,559,683	(1,155,268)	(878)	14,986	28,418,523
Governmental activities capital assets, net	\$ 29,782,940	\$ (1,155,268)	\$ (878)	\$ 14,986	\$ 28,641,780

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

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 585,031
Support services	510,082
Non-instructional	123,903
Total depreciation expense - Governmental activities	<u>\$ 1,219,016</u>

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**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. Three mill notes payable	1,625,000	-	(300,000)	1,325,000	310,000
Bond Premiums	4,994	-	(1,666)	3,328	-
B. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
C. Compensated absences payable	298,790	-	(29,023)	269,767	13,488
Total	<u>\$ 4,928,784</u>	<u>\$ -</u>	<u>\$ (330,689)</u>	<u>\$ 4,598,095</u>	<u>\$ 323,488</u>

**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	\$ 520,000
Limited tax notes payable, Series 2017	2.60%	3/27/2017	5/1/2026	1,000,000	805,000
Total				<u>\$ 3,475,000</u>	<u>\$ 1,325,000</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
2022	260,000	13,000	273,000
2023	260,000	6,500	266,500
Total	<u>\$ 520,000</u>	<u>\$ 19,500</u>	<u>\$ 539,500</u>

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

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2. Three mill notes issue March 27, 2017:

Year Ending June 30	Principal	Interest	Total
2022	50,000	21,091	71,091
2023	50,000	19,781	69,781
2024	315,000	18,471	333,471
2025	320,000	10,218	330,218
2026	70,000	1,834	71,834
Total	\$ 805,000	\$ 71,395	\$ 876,395

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
2022	310,000	34,091	344,091
2023	310,000	26,281	336,281
2024	315,000	18,471	333,471
2025	320,000	10,218	330,218
2026	70,000	1,834	71,834
Total	\$ 1,325,000	\$ 90,895	\$ 1,415,895

**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				\$ 3,000,000	\$ 3,000,000

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

Qualified school construction bonds issued of December 1, 2010:

Year Ending June 30	Principal	Interest	Total
2022	-	161,250	161,250
2023	-	161,250	161,250
2024	-	161,250	161,250
2025		161,250	161,250
2026	3,000,000	161,250	3,161,250
Total	\$ 3,000,000	\$ 806,250	\$ 3,806,250

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.

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**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](http://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.

*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, 2021 was 17.40% 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, 2021, 2020 and 2019 were \$3,086,220, \$3,483,252, and \$3,177,734, 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, 2021, the school district reported a liability of \$58,199,830 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2021 net pension liability was 0.300637 percent, which was based on a measurement date of June 30, 2020. This was a decrease of 0.009157 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$5,878,344. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to

WAYNE COUNTY SCHOOL DISTRICT  
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pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 504,844	\$
Net difference between projected and actual earnings on pension plan investments	2,433,801	
Changes of assumptions	335,487	1,199,561
Changes in proportion and differences between District contributions and proportionate share of contributions	1,226,320	139,931
District contributions subsequent to the measurement date	3,086,220	
Total	\$ <u>7,586,672</u>	\$ <u>1,339,492</u>

\$3,086,220 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, 2022. 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:	
2022	\$ 340,252
2023	1,207,181
2024	843,186
2025	770,341
Total	<u>3,160,960</u>

*Actuarial assumptions.* The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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 most recent target asset allocation and best estimates of arithmetic real rates of

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return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	<u>100 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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	\$ 75,332,528	\$ 58,199,830	\$ 44,058,470

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

## Note 8 – 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/>.



WAYNE COUNTY SCHOOL DISTRICT  
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*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 \$97,167 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$3,292,976 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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 of June 30, 2020, the District's proportion was 0.42314853 percent. This was a decrease of 0.00412191 percent from the proportionate share as of the measurement date of June 30, 2019.

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For the year ended June 30, 2021, the District recognized OPEB expense of \$113,411. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,198	\$ 573,066
Changes of assumptions	511,265	139,157
Net difference between projected and actual earnings on OPEB plan investments	106	
Changes in proportion and differences between District contributions and proportionate share of contributions	168,417	28,857
District contributions subsequent to the measurement date	97,167	
<b>Total</b>	<b>\$ <u>781,153</u></b>	<b>\$ <u>741,080</u></b>

\$97,167 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, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2022	\$ (5,874)
2023	(5,874)
2024	(3,453)
2025	(5,568)
2026	(36,325)
Thereafter	0.00

*Actuarial assumptions.* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%

WAYNE COUNTY SCHOOL DISTRICT  
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Health Care Cost Trends

Medicare Supplement Claims  
Pre-Medicare

7.00 percent for 2021 decreasing to an  
ultimate rate of 4.50% by 2030

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. 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 the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*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 (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 3,638,963	\$ 3,292,976	\$ 2,996,213

*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	\$ 3,040,559	\$ 3,292,976	\$ 3,578,952

*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/>.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
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**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
2022	121,631
2023	95,635
2024	62,417
2025	33,620
2026	28,367
2027-2031	72,930
2032-2036	1,383
Total	<u>\$ 415,983</u>

**Note 10 – Prior Period Adjustments**

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

Exhibit B – Statement of Activities

Explanation	Amount
To correct fund balances at the governmental fund level	1,730,230
Restatement of fund balance to show decrease in inventory	60,515
Restatement of prior period liability	14,869
To correct capital assets balances	14,986
Total	<u>\$ 1,820,600</u>

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2021

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

Fund	Explanation	Amount
General Fund	To correct fund balances	(745,286)
General Fund	To correct deferred revenue and reclass expenditures	842,276
General Fund	Restatement of prior period liability	14,869
16th Section Principal	To correct fund balances	2,540,449
Other Governmental	To correct fund balances	(64,933)
Other Governmental	To correct deferred revenue and reclass expenditures	(842,276)
Other Governmental	Restatement of fund balance to show decrease in inventory	60,515
Total		<u>\$ 1,805,614</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 February 11, 2022, 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.

**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.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2021

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, 2021, the subsidy payments amounted to \$150,697.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2021 was \$2,022,823. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2022	200,000
2023	200,000
2024	200,000
2025	200,000
2026	200,000
Total	<u>\$ 1,000,000</u>

**Note 14 – Insurance Loss Recoveries**

The Wayne County School District received \$8,769 in insurance loss recoveries related to a data compromise liability and property damages. In the government-wide Statement of Activities this loss was reported in general revenues. The district also reported \$2,500,000 as an insurance loss recovery to the 16<sup>th</sup> section principal fund. See note 16 for more details. In the government-wide Statement of Activities this loss was reported as an extraordinary item.

**Note 15 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$24,343,037 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from charges on refunding of debt. The \$29,585 balance of deferred outflow of resources, at June 30, 2021 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 (deficit) amount of (\$58,255,728) 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 \$3,086,220 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, 2022. The \$4,500,452 balance of the deferred outflow of resources related to pensions at June 30, 2021 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$1,339,492 balance of the deferred inflow of resources related to pensions at June 30, 2021 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 (\$58,255,728) includes the effect of deferred

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2021

inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$97,167 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, 2022. Other amounts reported as deferred outflows of resources totaling \$683,986 and deferred inflows of resources totaling \$741,080 related to OPEB at June 30, 2021, will be recognized in OPEB expense over the next 5 years.

**Note 16 – 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 (\$2,761,497) due to the sixteenth section principal loan balance in the amount of \$3,499,369. The deficit fund balance of the District Maintenance Fund is not in violation of the state law, but is considered to be noncompliant according to the district's minimum fund balance policy. 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. See associated finding

**Note 17 – Extraordinary Item**

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 in the amount of \$6,377,362. On August 19, 2021 the school district reached a "Settlement Agreement and Mutual Release of Claims" with all parties involved. The district received \$2,500,000 in cash as part of the agreement, which was accrued as an insurance loss recovery. The remaining difference in funds \$3,877,362 was reported as a loss to the 16<sup>th</sup> section principal fund. The loss is shown as an extraordinary item in the government-wide Statement of Activities due the nature of the event.

**Note 18 - 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 February 11, 2022, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



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

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 6,057,402	\$ 6,542,886	\$ 6,538,016	\$ 485,484	\$ (4,870)
State sources	17,398,934	17,801,935	17,804,703	403,001	2,768
Federal sources	214,500	116,597	113,829	(97,903)	(2,768)
Sixteenth section sources	443,000	139,622	144,492	(303,378)	4,870
Total Revenues	24,113,836	24,601,040	24,601,040	487,204	-
<b>Expenditures:</b>					
Instruction	15,024,617	14,733,934	14,733,934	290,683	-
Support services	8,381,773	9,073,840	9,073,840	(692,067)	-
Noninstructional services	-	379	379	(379)	-
Sixteenth section	-	2,888	2,888	(2,888)	-
Debt service:					
Principal	1,814,927	1,500,000	-	314,927	1,500,000
Interest	205,572	169,150	169,150	36,422	-
Other	-	-	-	-	-
Total Expenditures	25,426,889	25,480,191	23,980,191	(53,302)	1,500,000
Excess (Deficiency) of Revenues over (under) Expenditures	(1,313,053)	(879,151)	620,849	433,902	1,500,000
<b>Other Financing Sources (Uses):</b>					
Proceeds of Loan	1,500,000	1,500,000	-	-	(1,500,000)
Insurance loss recoveries	-	8,769	8,769	8,769	-
Operating transfers in	6,456,361	7,875,241	1,939,784	1,418,880	(5,935,457)
Operating transfers out	(4,991,851)	(6,517,154)	(1,423,973)	(1,525,303)	5,093,181
Total Other Financing Sources (Uses)	2,964,510	2,866,856	524,580	(97,654)	(2,342,276)
Net Change in Fund Balances	1,651,457	1,987,705	1,145,429	336,248	(842,276)
<b>Fund Balances:</b>					
July 1, 2020, as previously reported	(14,206,204)	(4,232,103)	(4,018,785)	9,974,101	213,318
Prior period adjustments	-	(531,969)	111,859	(531,969)	643,828
July 1, 2020, as restated	(14,206,204)	(4,764,072)	(3,906,926)	9,442,132	857,146
June 30, 2021	\$ (12,554,747)	\$ (2,776,367)	\$ (2,761,497)	\$ 9,778,380	\$ 14,870

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.300637%	0.309794%	0.293813%	0.297242%	0.281943%	0.279777%	0.273892%
District's proportionate share of the net pension liability	\$ 58,199,830	\$ 54,498,877	\$ 48,869,831	\$ 49,411,709	\$ 50,362,060	\$ 43,248,007	\$ 33,245,474
District's covered payroll	\$ 20,018,690	\$ 20,176,089	\$ 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	290.7275%	270.1162%	260.4618%	259.1305%	279.2215%	247.4300%	198.6435%
Plan fiduciary net position as a percentage of the total pension liability	58.974%	61.588%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,086,220	\$ 3,483,252	\$ 3,177,734	\$ 2,955,135	\$ 3,003,253	\$ 2,840,764	\$ 2,752,925
Contributions in relation to the contractually required contribution	3,086,220	3,483,252	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>
District's covered payroll	\$ 17,736,897	\$ 20,018,690	\$ 20,176,089	\$ 18,762,762	\$ 19,068,273	\$ 18,036,597	\$ 17,478,889
Contributions as a percentage of covered payroll	17.40%	17.40%	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\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.42314853%	0.42727044%	0.42527175%	0.40272261%
District's proportionate share of the net OPEB liability	\$ 3,292,976	\$ 3,625,565	\$ 3,289,690	\$ 3,159,798
District's covered-employee payroll	20,393,034	19,566,534	19,234,752	18,093,219
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	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**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contributions	\$ 97,167	\$ 131,323	\$ 145,324	\$ 134,707
Contributions in relation to the actuarially determined contributions	97,167	131,323	145,324	134,707
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District's covered-employee payroll	\$ 17,736,897	\$ 20,018,690	\$ 20,176,089	\$ 18,762,762
Contributions as a percentage of covered-employee payroll	0.55%	0.66%	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, 2021

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 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, 2021

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

(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, 2018 valuation for the June 30, 2020 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	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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.

WAYNE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2021

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for prior Measurement Date to 2.19% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50%



SUPPLEMENTARY INFORMATION

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

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program	10.555	195MS326N1099	124,187
COVID-19 Summer food service proram for children	10.559	215MS326N1099	1,986,053
Total child nutrition cluster			2,110,240
Total passed-through Mississippi Department of Education			2,110,240
Passed-through Wayne County, Mississippi:			
Schools and Roads - grants to states	10.665	*	8,160
Total passed-through Wayne County, Mississippi			8,160
<b>Total U.S. Department of Agriculture</b>			<b>2,118,400</b>
<b><u>U.S. Department of the Treasury</u></b>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund:			
Equity in Distance Learning Act	21.019	21/120101115/8491/EDLA	756,627
Mississippi Pandemic Response Broadband Availability Act	21.019	21/1201021785/8499/PRBAA	12,546
COVID-19 - Coronavirus Relief Fund Subtotal			769,173
Total passed-through Mississippi Department of Education			769,173
<b>Total U.S. Department of the Treasury</b>			<b>769,173</b>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A200024	2,281,759
Career and technical education - basic grants to states	84.048	V048A200024	8,871
Rural Education	84.358	S358A200024	100,279
Supporting Effective Instruction state grants	84.367	S367A200023	268,594
School Improvement Grant 1003(g) (SIG)	84.377	S377A160025	184,899
Student Support and Academic Enrichment program	84.424	S424A200025	87,409
Subtotal			2,931,811
Special education cluster:			
Special education - grants to states	84.027	H027A200108	762,321
Special education - preschool grants	84.173	H173A200113	47,244
Total special education cluster			809,565
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	757,644
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	20,023
Elementary & Secondary School Emergency Relief CTE Grant	84.425D	S425D210031	10,670
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			788,337
Total passed-through Mississippi Department of Education			4,529,713
<b>Total U.S. Department of Education</b>			<b>4,529,713</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	2005MS5ADM	32,688
Total passed-through Mississippi Department of Education			32,688
<b>Total U.S. Department of Health and Human Services</b>			<b>32,688</b>
<b><u>U.S. Department of Social Security Administration</u></b>			
Passed-through the Mississippi Department of Education:			
Social Security Disability Insurance	96.001	*	630
Total passed-through Mississippi Department of Education			630
<b>Total U.S. Department of Social Security Administration</b>			<b>630</b>
Total for All Federal Awards			\$ 7,450,604

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, 2021

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, 2021. 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, 2021**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 24,783,623	19,022,573	1,352,133	1,686,009	2,722,908
Other	8,856,134	3,231,539	574,831	14,458	5,035,306
Total	<u>\$ 33,639,757</u>	<u>22,254,112</u>	<u>1,926,964</u>	<u>1,700,467</u>	<u>7,758,214</u>
Total number of students *	<u>2,792</u>				
Cost per student	<u>\$ 12,049</u>	<u>7,971</u>	<u>690</u>	<u>609</u>	<u>2,779</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**

	2021	2020*	2019*	2018*
<b>Revenues:</b>				
Local sources	\$ 6,538,016	\$ 6,162,200	\$ 6,227,461	\$ 5,743,357
State sources	17,804,703	17,905,154	17,116,730	16,631,679
Federal sources	113,829	317,254	235,191	247,090
Sixteenth Section sources	144,492	2,404,083	1,001,484	793,157
Total Revenues	24,601,040	26,788,691	24,580,866	23,415,283
<b>Expenditures:</b>				
Instruction	14,733,934	17,081,629	17,969,886	17,588,113
Support services	9,073,840	9,772,211	9,888,671	11,764,050
Noninstructional services	379	29,650	75,714	68,937
Sixteenth section	2,888	-	6,000	-
Debt Service:				
Interest	169,150	1,128,594	259,878	198,257
Other	-	-	9,670	-
Total Expenditures	23,980,191	28,012,084	28,209,819	29,619,357
Excess (Deficiency) of Revenues over (under) Expenditures	620,849	(1,223,393)	(3,628,953)	(6,204,074)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	8,769	-	15,991	-
Sale of transportation equipment	-	10,063	-	-
Bonds and notes issued	-	-	-	-
Operating transfers in	1,939,784	1,171,389	50,000	-
Operating transfers out	(1,423,973)	(1,520,887)	(1,238,915)	(1,589,568)
Total Other Financing Sources (Uses)	524,580	(339,435)	(1,172,924)	(1,589,568)
Net Change in Fund Balances	1,145,429	(1,562,828)	(4,801,877)	(7,793,642)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	(4,018,785)	(30,089,833)	(29,872,619)	(14,074,915)
Prior period adjustments	111,859	27,633,876	4,584,663	(8,004,062)
Beginning of period, as restated	(3,906,926)	(2,455,957)	(25,287,956)	(22,078,977)
End of Period	\$ (2,761,497)	\$ (4,018,785)	(30,089,833)	\$ (29,872,619)

\*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**

	2021	2020*	2019*	2018*
<b>Revenues:</b>				
Local sources	\$ 7,114,286	\$ 6,847,275	\$ 6,834,425	\$ 6,221,608
State sources	18,606,669	18,746,876	17,864,238	17,315,925
Federal sources	7,836,868	4,995,204	5,910,729	5,605,472
Sixteenth section sources	1,005,550	7,229,179	2,436,535	7,225,753
Total Revenues	34,563,373	37,818,534	33,045,927	36,368,758
<b>Expenditures:</b>				
Instruction	19,157,316	19,743,185	20,507,864	20,348,449
Support services	11,234,044	12,239,223	12,110,575	13,773,632
Noninstructional services	1,956,457	2,009,445	2,339,693	2,413,962
Sixteenth section	617,143	1,173,358	1,073,910	635,233
Facilities acquisition and construction	-	-	-	-
Debt service:				
Principal	300,000	295,000	290,000	892,507
Interest	371,737	1,396,359	476,016	403,886
Other	3,060	3,205	12,865	3,895
Total Expenditures	33,639,757	36,859,775	36,810,923	38,471,564
Excess (Deficiency) of Revenues over (under) Expenditures	923,616	958,759	(3,764,996)	(2,102,806)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	2,508,769	-	15,991	-
Bonds and notes issued	-	-	-	-
Payment held by QSCB debt escrow agent	162,034	162,062	168,385	172,281
Payment to QSCB debt escrow agent	(162,034)	(162,062)	(168,385)	(172,281)
Sale of transportation equipment	-	10,063	-	-
Operating transfers in	3,496,150	3,086,611	1,357,835	1,621,876
Operating transfers out	(3,496,150)	(3,086,611)	(1,357,835)	(1,621,876)
Other financing uses	(6,377,362)	-	-	-
Total Other Financing Sources (Uses)	(3,868,593)	10,063	15,991	0
Net Change in Fund Balances	(2,944,977)	968,822	(3,749,005)	(2,102,806)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	77,601,133	77,534,582	77,112,660	80,667,481
Prior period adjustment	1,805,614	(974,966)	4,170,324	(1,461,935)
Beginning of period, as restated	79,406,747	76,559,616	81,282,984	79,205,546
Increase (Decrease) in reserve for inventory	(60,515)	72,695	603	9,920
End of Period	\$ 76,401,255	\$ 77,601,133	77,534,582	\$ 77,112,660

\*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, 2021, 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 February 11, 2022.

### 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 and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 2021-001** to be a material weakness, and **2021-002** and **2021-003** to be significant deficiencies.

### 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 2021-001, 2020-002 and 2021-003.**

### **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.

Brown CPA, PLLC  
Madison, Mississippi  
February 11, 2022

*Brown 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, 2021. 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, 2021.

## 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 **2021-004** and **2021-005**. 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding **2021-004** that we consider to be a material weakness and **2021-005** that we consider to be a significant deficiency.

Wayne County School District's response to the internal control over compliance findings identified in our audit are described in the accompanying auditee's corrective action plan. Wayne County School District's response was not subjected to the auditing procedures applied in the audit of 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.

Brown CPA, PLLC  
Madison, Mississippi  
February 11, 2022



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, 2021, which collectively comprise Wayne County School District's basic financial statements and have issued our report thereon dated February 11, 2022. 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.

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 25-11-127 MS Code Ann. (1972) addresses reemployment of PERS retirees by an entity covered under the PERS System. Before an entity hires an individual as an employee, the entity should verify if the prospective employee is a current retiree of the Public Employees' Retirement System (PERS) receiving retirement benefits.

During review of the form 4B's, we found that the district had overpaid one retiree working for the district. The employee was overpaid by \$11,000 from the amount that was reported to PERS on the Form 4B's provided by the district.

### Recommendation

We recommend that the district review each retiree's form PERS 4B to ensure that the district does not overpay a retiree. This could cause the retiree's retirement to be affected.

### Response

The district will implement procedures to ensure the PERS Form 4B's are reviewed and ensure retirees are not overpaid.

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.

Brown CPA, PLLC  
Madison, Mississippi  
February 11, 2022



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements:

- |    |                                                       |            |
|----|-------------------------------------------------------|------------|
| 1. | Type of auditor's report issued                       | Unmodified |
| 2. | Internal control over financial reporting:            |            |
| a. | Material weaknesses identified?                       | Yes        |
| b. | Significant deficiencies identified?                  | Yes        |
| 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?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Yes                 |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
| 5.                  | Type of auditor's report issued on compliance for major programs:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Unmodified          |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
| 6.                  | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Yes                 |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
| 7.                  | Identification of major programs:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                     |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
|                     | <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;"><u>CFDA Numbers</u></td> <td style="width: 60%;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>21.019</td> <td>COVID-19 Coronavirus relief fund</td> </tr> <tr> <td>84.010</td> <td>Title I grants to local educational agencies</td> </tr> <tr> <td>84.027; 84.173</td> <td>Special Education Cluster</td> </tr> <tr> <td>84.425D</td> <td>COVID-19 – Elementary &amp; Secondary School<br/>Emergency Relief I, II, and CTE Grant (ESSER)</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 21.019 | COVID-19 Coronavirus relief fund | 84.010 | Title I grants to local educational agencies | 84.027; 84.173 | Special Education Cluster | 84.425D | COVID-19 – Elementary & Secondary School<br>Emergency Relief I, II, and CTE Grant (ESSER) |  |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                     |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
| 21.019              | COVID-19 Coronavirus relief fund                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
| 84.010              | Title I grants to local educational agencies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
| 84.027; 84.173      | Special Education Cluster                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                     |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
| 84.425D             | COVID-19 – Elementary & Secondary School<br>Emergency Relief I, II, and CTE Grant (ESSER)                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                     |                                           |        |                                  |        |                                              |                |                           |         |                                                                                           |  |
| 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, 2021

**Section II: Financial Statement Findings**

**Material Weakness/Material Noncompliance**

**2021-001 Finding**

**Repeat Finding 2017-001, 2018-001, 2019-001, 2020-001**

**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:**

The general fund has a negative fund balance, in the amount of 2,761,497, being brought forward from prior years. The unassigned portion of the fund balance does not meet the district's minimum fund balance policy of 5% of general revenues. Revenues did exceed expenditures in the current year, and the district is working toward paying off advances from 16<sup>th</sup> section loans, which will decrease or eliminate the deficit.

**Cause:**

The main cause of the negative fund balance in the general fund is the balance owed to the 16<sup>th</sup> section principal fund.

**Effect:**

Due to the lack of budgetary controls that resulted in spending more resources than available in prior years and the excessive use of 16<sup>th</sup> section loans, the district is in a financially weak position.

**Recommendation:**

The district should comply with Section 37-61-19, Miss. Code Ann. (1972), which requires the district expenditures during the school year not to exceed resources available and continue to work towards increasing the fund balance to meet the board's minimum fund balance policy.

**Response:**

Please refer to the Auditee's Corrective Action Plan beginning on page 77.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**Significant Deficiency/Noncompliance**

**2021-002 Finding**

**Payroll expenditures – timesheets not being reconciled**

**Criteria:**

The school district is charged with developing controls around payroll expenditures that will provide authorization of pay through school board approval and the existence of time and attendance records. The district should also have controls, including policies and procedures, that will ensure compliance with the record-keeping requirements of the federal wage and hour law.

**Condition:**

Timesheets are not being reconciled weekly for hourly employees to ensure overtime or docked pay is being properly calculated. Most of the timesheets reviewed by the auditor were not accurate due to mistakes by employees clocking in and out and/or time not being reconciled.

**Cause:**

Management had a lack of controls that resulted in the timesheets not being reconciled for the hourly employees.

**Effect:**

The effect is some employees not getting paid the proper overtime and/or getting docked for hours not worked.

**Recommendation:**

We recommend that the school district comply with the record-keeping requirement of the federal wage and hour law by properly reconciling timesheets records on a weekly basis.

**Response:**

Please refer to the Auditee's Corrective Action Plan beginning on page 77.

**2021-003 Finding**

**Claims payable not accrued.**

**Criteria:**

The accounting principles generally accepted in the United States of America (GAAP) require that expenditures are properly accrued and recorded when the transaction occurs.

**Condition:**

The district did not record claims payable at year end. In review of the July and August claims dockets the auditor identified expenditures that should have been recorded as claims payable.

**Cause:**

Management did not review the claims dockets following the year end to ensure all expenditures were recognized and properly accrued.

**Effect:**

The effect could lead to a material misstatement in the financials by not matching expenditures to the occurrence, and may have an effect on the determination of major funds due to the liability amount.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**Recommendation:**

We recommend that the school district comply with the GAAP principles and properly accrue claims payable.

**Response:**

Please refer to the Auditee's Corrective Action Plan beginning on page 77.

Section III: Federal Award Findings and Questioned Costs

**Material Weakness/Material Noncompliance**

**2021-004 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

Rural education, CFDA #84.358

**Repeat Finding:**

Repeat finding from 2019-008 & 2020-006

**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 School Improvement Fund by \$27,813 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district.
2. The district made an adjustment at year end to clear all cash management liabilities and interfund loan errors from prior periods in the federal funds. This adjustment cleared any remaining deferred revenue and moved excessive cash to district maintenance in an attempt to properly reclassify expenditures and accurately state the fund balances of the federal funds and district maintenance. Although the district made every effort to support the adjustment, including a third-party review of expenditures and matching reimbursement requests, it could not be determined if the adjustment was completely accurate due to the duration of the problem and the inadequate record keeping in the prior periods. However, due to the third-party review, the adjusted balances seem reasonable and fairly stated.

**Context:** Federal funds were reviewed for excessive cash balances and/or fund balances at year end. District provided the explanation and support for the adjustment.

**Cause:**

Improper internal controls resulted in the district not recording expenditures and reimbursements accurately and timely.

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**Effect:**

The effect could lead to fraud and errors occurring, if transactions are not properly recorded accurately and timely. Improper internal controls concerning these particular fund allocations could result in questioned cost by the federal agencies.

**Questioned Cost:**

Title I School Grants to local educational agencies - \$27,813

**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.

**Response:**

Please refer to the Auditee's Corrective Action Plan beginning on page 77.

**Significant Deficiency/Noncompliance**

**2021-005 Finding**

**Payroll expenditures – timesheets not being reconciled**

Programs:

Title I Grants to Local Educational Agencies, CFDA #84.010

Special Education IDEA Part B, CFDA #84.027

**Repeat Finding:**

Not a repeat finding

**Criteria:**

The school district is charged with developing controls around payroll expenditures that will provide authorization of pay through school board approval and the existence of time and attendance records. The district should also have controls, including policies and procedures, that will ensure compliance with the record-keeping requirements of the federal wage and hour law.

**Condition:**

Timesheets are not being reconciled weekly for hourly employees to ensure overtime or docked pay is being properly calculated. Most of the timesheets reviewed by the auditor were not accurate due to mistakes by employees clocking in and out and/or time not being reconciled.

**Context:** Auditor reviewed the April timesheets for all hourly employees in the payroll samples.

**Cause:**

Management had a lack of controls that resulted in the timesheets not being reconciled for the hourly employees.

**Effect:**

The effect is some employees not getting paid the proper overtime and/or getting docked for hours not worked.

**Questioned Cost:**

None

WAYNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**Recommendation:**

We recommend that the school district comply with the record-keeping requirement of the federal wage and hour law by properly reconciling timesheets records on a weekly basis.

**Response:**

Please refer to the Auditee's Corrective Action Plan beginning on page 77.

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, 2021:

Finding	Corrective Action Plan Details
<b>2021-001</b>	<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 requires the district expenditures to not exceed the funds that are available and will continue to work towards increasing the fund balance to be in compliance with the board's minimum fund balance policy.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2022.</p>
<b>2021-002</b>	<p>Payroll expenditures – timesheets not being reconciled.</p> <p>A. Name of contact person responsible for corrective action: Name: Dennis Singleterry Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>The district will implement the proper controls to ensure timesheets are being reconciled and will comply with the record-keeping requirements of the federal wage and hour law.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2022</p>



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

**2021-003**

Claims Payable not accrued.

A. Name of contact person responsible for corrective action:

Name: Dennis Singleterry

Title: Business Manager

B. Corrective action planned:

District will comply with GAAP and properly accrue claims payable at year end.

C. Anticipated completion date:

June 30, 2022

**2021-004**

Cash management excessive cash and fund balances.

A. Name of contact person responsible for corrective action:

Name: Tommy Branch

Title: Superintendent

B. Corrective action planned:

The district will implement better controls to ensure all federal reimbursement requests are accurate and will follow the MDE policy and procedures manual ensuring expenditures are expended before requests are made.

C. Anticipated completion date:

June 30, 2022

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

**2021-005**

Payroll expenditures – timesheets not being reconciled.

D. Name of contact person responsible for corrective action:

Name: Dennis Singleterry

Title: Business Manager

E. Corrective action planned:

The district will implement the proper controls to ensure timesheets are being reconciled and will comply with the record-keeping requirements of the federal wage and hour law.

F. Anticipated completion date:

June 30, 2022

**Wayne County School District  
P. O. Box 256  
Office of the Superintendent  
Waynesboro, Mississippi 38917  
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, 2021:

<u>Findings</u>	<u>Status</u>
2020-001	See 2021-001
2020-002	Corrected
2020-003	Corrected
2020-004	Corrected
2020-005	Corrected
2020-006	See 2021-004