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Wayne County School District

Audited Financial Statements

For the Year Ended June 30, 2007

Suzanne E. Smith, CPA



WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT
FINANCIAL AUDIT REPORT

WAYNE COUNTY SCHOOL DISTRICT

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Suzanne E. Smith
Certified Public Accountant
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Meridian, MS 39304
Phone: (601) 482-7966

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Wayne County School District

I 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, 2007, which collectively comprise the Wayne County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wayne County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

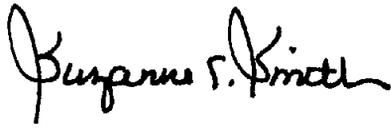
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 18, 2008, on my consideration of the Wayne County School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on Pages 5 through 13 and the Budgetary Comparison Schedule and related notes on pages 43 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis as required by the Mississippi State Auditor's Office. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material

respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Eugene S. Smith". The signature is fluid and cursive, with the first name being the most prominent.

Meridian, MS
March 18, 2008

WAYNE COUNTY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

WAYNE COUNTY SCHOOL DISTRICT

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**Wayne County School District
Management Discussion and Analysis
For the Year Ended June 30, 2007**

The discussion and analysis of Wayne County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,814,179, which represents a 14.0% increase from the fiscal year 2006.
- General revenues accounted for \$23,655,474 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,689,750 or 22% of total revenues.
- The District had \$28,698,368 in expenses; only \$6,689,750 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$23,655,474 were adequate to provide for these programs.
- Among major funds, the General Fund had \$22,091,362 in revenues and \$21,492,804 in expenditures. The General Fund's fund balance increased \$122,365 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$285,427.
- Long-term debt decreased by \$413,160. The school district issued \$4,555,000 in refunding bonds to satisfy the requirements for the in-substance defeasance of \$4,350,000 limited liability bonds payable.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

**Wayne County School District
Management Discussion and Analysis
For the Year Ended June 30, 2007**

services, non instructional services, interest on long-term liabilities, and other debt service expenditures. The government-wide financial statements can be found in this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are provided as Exhibit C-1 and Exhibit D-1 of the financial statements.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are presented in a separate statement of fiduciary net assets shown as Exhibit E of the financial statements.

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found following the notes to the financial statements.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133, and a schedule of instructional, administrative and other expenditures for governmental funds can be found in the report sections entitled Required Supplementary Information and Supplementary Information.

**Wayne County School District
Management Discussion and Analysis
For the Year Ended June 30, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Wayne County School District, assets exceeded liabilities by \$14,578,487 as of June 30, 2007.

The District's net assets reflects its investment in capital assets (e.g. land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital lease), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and 2006.

	2007	2006	% Change
Assets			
Current assets	\$ 6,543,294	\$ 6,966,436	-6.1%
Other assets	2,288,895	811,285	182.1%
Capital assets, net	<u>16,088,458</u>	<u>15,803,031</u>	1.8%
Total Assets	<u>24,920,647</u>	<u>23,580,752</u>	5.7%
Liabilities			
Current liabilities	\$ 1,219,504	\$ 1,280,628	-4.8%
Long-term liabilities	<u>9,122,656</u>	<u>9,535,816</u>	-4.3%
Total Liabilities	<u>10,342,160</u>	<u>10,816,444</u>	-4.4%
Net Assets:			
Invested in capital assets, net of related debt	\$ 7,261,998	\$ 6,581,805	10.3%
Restricted	6,354,977	5,206,554	22.1%
Unrestricted	<u>961,512</u>	<u>975,949</u>	-1.5%
Total Net Assets	<u>\$ 14,578,487</u>	<u>\$ 12,764,308</u>	14.2%

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

- Other assets increased by \$1,477,610 due to increased oil production and the resulting permanent fund revenue from 16th Section lands.
- The net reduction of long-term liabilities in the amount of \$413,160. This includes the effects of a refunding bond issue of \$4,555,000 and the resulting in-substance defeasance of \$4,350,000 of previously outstanding bonds.
- The addition to Construction in progress of \$313,045 and the completion of the Waynesboro Middle School cafeteria construction project and reclassification of that project to other capital asset categories.
- The addition of other building improvements in the amount of \$203,571.
- The addition of mobile equipment in the amount of \$313,662 and furniture and equipment of \$167,872.
- Current year depreciation expense charges of \$696,206.

**Wayne County School District
Management Discussion and Analysis
For the Year Ended June 30, 2007**

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$30,345,224. The total cost of all programs and services was \$28,698,368. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006.

	2007	2006	% Change
Revenues			
Program Revenues			
Charges for Services	\$ 1,334,453	\$ 1,315,970	1.4%
Operating grants and contributions	5,355,297	5,637,355	-5.0%
Capital grants and contributions	<u>0</u>	<u>719,628</u>	-100.0%
Total Program Revenues	<u>6,689,750</u>	<u>7,672,953</u>	-12.8%
General Revenues			
Property taxes	\$ 3,586,393	\$ 3,522,128	1.8%
Unrestricted grants and contributions	18,003,048	16,632,198	8.2%
Other general revenues	<u>2,066,033</u>	<u>2,287,206</u>	-9.7%
Total General Revenues	<u>23,655,474</u>	<u>22,441,532</u>	5.4%
Total Revenues	<u>30,345,224</u>	<u>30,114,485</u>	0.8%
Expenses			
Instruction	\$ 17,530,996	\$ 17,004,189	3.1%
Support Services	8,325,394	8,999,128	-7.5%
Non-instructional	2,210,776	2,103,993	5.1%
Sixteenth section	82,661	53,270	55.2%
Interest on long-term liabilities	465,676	459,684	1.3%
Other	<u>82,865</u>	<u>0</u>	100.0%
Total Expenses	<u>28,698,368</u>	<u>28,620,264</u>	0.3%
Increase(Decrease) in net assets	<u>\$ 1,646,856</u>	<u>\$ 1,494,221</u>	10.2%
Net Assets, July 1	12,764,308	11,891,149	7.3%
Prior Period Adjustments	<u>167,323</u>	<u>(621,062)</u>	126.9%
Net Assets, June 30	<u>\$ 14,578,487</u>	<u>\$ 12,764,308</u>	14.2%

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

- Capital grants and contributions decreased by \$719,628 from the 2006 year.
- Operating grants and contributions decreased by \$282,058 from the 2006 year. This was caused primarily by decreased funding from the previous year of disaster-related grants in the aftermath of Hurricane Katrina.
- Sixteenth section expenses increased \$29,391 from the previous year. The increased expenses represent payments for services provided for the care of trust lands.
- Other expenses increased by \$82,865 from the previous year. The increased expenses include bond issuance costs.

**Wayne County School District
Management Discussion and Analysis
For the Year Ended June 30, 2007**

The Sixteenth Section Interest Principal increased by \$1,246,450 from the 2006 year. This increase was due to the discovery and production of an oil well on 16th Section lands. The increase represents oil royalty revenues received during the 2007 year.

BUDGETARY HIGHLIGHTS

Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs were used to determine original budget amounts. Over the course of the year, the District revised the annual operating budget when changes in tentative allocations, estimates, legislative mandates, staffing studies, and current and anticipated needs arose.

At the time the original budget was prepared, only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation awards as estimates. Once federal awards were known, budgets were amended to reflect the actual grant awards and expenditures.

A schedule showing the original and final budget amounts compared to the District's actual financial activity of the following funds are provided in this report as Required Supplementary Information.

General Fund
Sixteenth Section Interest Fund

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$24,348,472, including land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents an increase of \$935,977 from the previous year. Total accumulated depreciation as of June 30, 2007, was \$8,260,014 and total depreciation expense for the year was \$696,206, resulting in total net capital assets of \$16,088,458.

	<u>Capital Net Assets, Net of Depreciation</u>		<u>Percentage</u>
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 88,257	\$ 78,257	12.8%
Construction in progress	0	877,672	-100.0%
Buildings	11,987,765	11,091,694	8.1%
Building improvements	2,157,979	2,051,591	5.2%
Improvements other than buildings	157,698	171,292	-7.9%
Mobile equipment	1,199,397	1,062,059	12.9%
Furniture and equipment	234,021	136,871	71.0%
Leased property under capital lease	263,341	333,595	-21.1%
Total	\$ 16,088,458	\$ 15,803,031	1.8%

Additional information about the District's capital assets can be found in Note 4 of the notes to the financial statements in this report.

**Wayne County School District
 Management Discussion and Analysis
 For the Year Ended June 30, 2007**

Debt Administration. At June 30, 2007, the District had \$9,122,656 in long term debt , of which \$715,035 is due within one year. The following table shows general long-term debt balances for the year ending June 30, 2007, as compared to June 30, 2006.

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 5,295,000	\$ 5,435,000	-2.6%
Three mill notes payable	3,200,000	3,335,000	-4.0%
Obligations under capital lease	331,460	451,226	-26.5%
Compensated absences	296,196	314,590	-5.8%
Total	\$ 9,122,656	\$ 9,535,816	-4.3%

The major changes in long term debt were caused by principal payments made on obligations under capital lease. Additional information on the District's long-term debt obligations can be found in Note 5 in the notes to the financial statements.

CURRENT ISSUES

The Wayne County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that the student enrollment in the District will remain stable at about 3,900 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 June 30, 2007

Exhibit A

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 4,558,919
Investments	448,770
Due from other governments	1,161,118
Inventories and prepaid items	276,903
Restricted assets	2,288,895
Other receivables	54,222
Unamortized bond discount	43,362
Capital assets, not being depreciated:	
Land	88,257
Capital assets, net of accumulated depreciation:	
Buildings	11,987,765
Building improvements	2,157,979
Improvements other than buildings	157,698
Mobile equipment	1,199,397
Furniture and equipment	234,021
Leased property under capital lease	263,341
Total assets	<u>24,920,647</u>
 LIABILITIES	
Accounts payable and accrued liabilities	1,096,718
Deferred revenue	59,006
Interest due on long-term liabilities	63,780
Long-term liabilities (due within one year)	
Capital-related liabilities	700,226
Non-capital liabilities	14,809
Long-term liabilities (due beyond one year)	
Capital-related liabilities	8,126,234
Non-capital liabilities	281,387
Total liabilities	<u>10,342,160</u>
 NET ASSETS	
Invested in capital assets, net of related debt	7,261,998
Restricted net assets	
Expendable:	
School-based activities	1,604,131
Debt service	1,037,724
Forestry improvements	109,314
Unemployment benefits	91,371
Non-expendable:	
Sixteenth section	3,512,437
Unrestricted	961,512
Total net assets	<u>\$ 14,578,487</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, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 17,530,996	972,137	2,584,240		(13,974,619)
Support services	8,325,394		1,126,149		(7,199,245)
Noninstructional services	2,210,776	362,316	1,520,468		(327,992)
Sixteenth section	82,661		0		(82,661)
Interest on long-term debt	465,676		124,440		(341,236)
Other	82,865		0		(82,865)
Total governmental activities	\$ 28,698,368	1,334,453	5,355,297	0	\$ (22,008,618)

General Revenues:

Taxes:

General purpose levies	3,250,012
Debt service levies	336,381

Unrestricted grants and contributions:

State	17,545,816
Federal	457,232
Unrestricted investment earnings	357,293
Sixteenth section sources	1,541,779
Other	166,961

Total general revenues 23,655,474

Change in Net Assets 1,646,856

Net Assets - Beginning 12,764,308

Adjustments 167,323

Net Assets - Beginning - Restated 12,931,631

Net Assets - Ending \$ 14,578,487

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

WAYNE COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

Exhibit C

	Major Funds				
	General Fund	Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,184,325	2,043,567	2,288,895	1,331,027	6,847,814
Investments	0	0	0	448,770	448,770
Due from other governments	353,705	0	0	807,413	1,161,118
Advances to other funds	0	0	1,213,602	0	1,213,602
Due from other funds	1,587,107	0	9,940	15,229	1,612,276
Inventories and prepaid items	226,081	0	0	50,822	276,903
Total assets	3,351,218	2,043,567	3,512,437	2,653,261	11,560,483
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable and accrued liability	859,415	0	0	237,303	1,096,718
Due to other funds	20,493	1,010,782	0	526,779	1,558,054
Advances from other funds	1,213,602	0	0	0	1,213,602
Unearned revenue	0	7,812	0	51,194	59,006
Total liabilities	2,093,510	1,018,594	0	815,276	3,927,380
Fund balances:					
Reserved for:					
Permanent fund purposes	0	0	2,298,835	0	2,298,835
Forestry improvements	0	0	0	109,314	109,314
Inventory and prepaid items	226,081	0	0	50,822	276,903
Advances	0	0	1,213,602	0	1,213,602
Debt service	0	0	0	1,058,142	1,058,142
Unemployment	0	0	0	91,371	91,371
Ad valorem	359,147	0	0	0	359,147
Unreserved:					
Undesignated, reported in:					
General fund	672,480	0	0	0	672,480
Special revenue funds	0	1,024,973	0	528,336	1,553,309
Total fund balances	1,257,708	1,024,973	3,512,437	1,837,985	7,633,103
Total liabilities & fund balances \$	3,351,218	2,043,567	3,512,437	2,653,261	11,560,483

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

WAYNE COUNTY SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Activities

June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 7,633,103
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$8,260,014.	16,088,458
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(9,122,656)
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues.	(63,780)
4. Unamortized bond discount is recognized in the year of issuance in the governmental funds as an other financing use. In the Statement of Net Assets, the discount is capitalized and amortized over the life of the debt.	43,362
Total Net Assets - Governmental Activities	\$ <u>14,578,487</u>

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

WAYNE COUNTY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2007

Exhibit D

	Major Funds				
	General Fund	Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources	4,448,716	1,663	1	777,648	5,228,028
State sources	16,996,348	0	0	1,363,818	18,360,166
Federal sources	646,298	0	0	4,351,880	4,998,178
Sixteenth section sources	0	381,269	1,246,449	97,455	1,725,173
Total revenues	\$ 22,091,362	382,932	1,246,450	6,590,801	30,311,545
EXPENDITURES					
Instruction	14,265,987	0	0	3,274,859	17,540,846
Support Services	6,760,165	0	0	1,268,834	8,028,999
Noninstructional services	129,037	0	0	2,169,560	2,298,597
Sixteenth section	0	2,458	0	80,203	82,661
Facilities Acquisition	203,571	0	0	313,045	516,616
Debt service:					
Principal	63,204	0	0	536,562	599,766
Interest	70,840	0	0	409,337	480,177
Other	0	0	0	82,865	82,865
Total expenditures	21,492,804	2,458	0	8,135,265	29,630,527
Excess(deficiency) of revenues over expenditures	598,558	380,474	1,246,450	(1,544,464)	681,018
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries	55,795	0	0	0	55,795
Sale of property	759	0	0	0	759
Proceeds of refunding bonds	0	0	0	4,555,000	4,555,000
Transfers in	857,525	232	0	1,878,141	2,735,898
Transfers out	(1,390,272)	(1,000,232)	0	(345,394)	(2,735,898)
Payment to refunded bond escrow age	0	0	0	(4,350,000)	(4,350,000)
Discount on refunding bonds	0	0	0	(47,304)	(47,304)
Total other financing sources and uses	(476,193)	(1,000,000)	0	1,690,443	214,250
Net change in fund balances	122,365	(619,526)	1,246,450	145,979	895,268
Fund balances:					
July 01, 2006	975,949	1,648,999	2,261,487	1,692,881	6,579,316
Prior period adjustments	159,394	(4,500)	4,500	0	159,394
July 01, 2006, restated	1,135,343	1,644,499	2,265,987	1,692,881	6,738,710
Increase(decrease) in inventory	0	0	0	(875)	(875)
June 30, 2007	\$ 1,257,708	1,024,973	3,512,437	1,837,985	7,633,103

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

WAYNE COUNTY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2007

Exhibit D-1

Net change in fund balances (Exhibit D)	\$	<u>895,268</u>
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Amounts reported for governmental activities in the statement of activities are different because:

- | | | |
|---|---|-----------|
| 1 | Governmental funds report capital outlays as expenditures, while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$998,150, while the depreciation expense amounted to \$696,206. | 301,944 |
| 2 | In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. The change in net assets differs from the change in fund balances by the loss on disposal of capital assets. | (24,446) |
| 3 | Payment of principal and long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities. | 599,766 |
| 4 | Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: | |
| | Compensated Absences | 18,394 |
| 5 | Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but expenditures are increased in the Statement of Activities. | (875) |
| 6 | Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when the interest becomes due. | 18,443 |
| 7 | The issuance of refunding limited tax obligation notes is recorded as an other financing source in the governmental funds, and the resulting transfer to refunding escrow agent is shown as an other financing use when the debt is defeased in-substance. In the Governmental-Wide Statements, the issuance of the refunding debt and the related transfer to escrow agent is shown as a net increase in general long-term debt. (\$4,555,000 refunding issue less \$4,350,000 transfer to escrow agent to complete the in-substance defeasance of the old debt) | (205,000) |
| 8 | The discount on the refunding debt issuance is recorded as an other financing use in the governmental funds, but the discount is capitalized and amortized over the life of the outstanding refunding debt issue in the Government-Wide Statements. (\$47,304 discount less \$3,942 amortization) | 43,362 |

Changes in net assets of governmental activities (Exhibit B)	\$	<u>1,646,856</u>
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The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 147,115
Due from other funds	<u>8,729</u>
Total Assets	<u><u>155,844</u></u>
LIABILITIES	
Due to student clubs	92,893
Due to other funds	62,951
Total Liabilities	\$ <u><u>155,844</u></u>

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

WAYNE COUNTY SCHOOL DISTRICT

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**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

(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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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 was elected by the citizens of each defined county district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end.

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Sixteenth Section Interest Fund - This special revenue fund is used to account for the financial resources associated with expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from the investment of expendable sixteenth section funds.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable revenues derived from the use of sixteenth section lands held in trust by the school district and from the investment of such nonexpendable revenues.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year.

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of three months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than three months when acquired.

Investments are reported at fair value.

H. 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).

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

I. Capital Assets.

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.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

See Note 4 for details.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute available expendable financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect the revenues to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details of interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations.

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

Following is a description of fund reserves used by the district:

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

Reserved for forestry improvements – An account that represents a portion of fund balance that is legally restricted for improving sixteenth section lands.

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

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

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

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

Reserved for ad valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year. The subsequent year's ad valorem request must be reduced by this amount.

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

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus 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 deposits and 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, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 interest in, an 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. Investment income on bond funds (Capital Projects Funds), 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. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,847,814 and \$147,115, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents \$4,558,919 and restricted assets \$2,288,895. The restricted assets of \$2,288,895 consist of cash 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. The bank balance of the district's cash and cash equivalents was \$8,990,696.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$8,990,696 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments.

<u>Investment Type</u>	<u>Maturity (years)</u>	<u>Fair Market Value</u>	<u>Rating</u>
Hancock Horizon Treasury Money Market Funds	Less than 1	<u>\$448,770</u>	AAAm

The Hancock Horizon Treasury Securities Money Market Fund investments are not backed by the full faith and credit of the federal government and are not FDIC insured.

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures 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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 1,587,107	20,493
Sixteenth Section Interest Fund		1,010,782
Sixteenth Section Principal Fund	9,940	
Other governmental funds	15,229	526,779
Total governmental funds	<u>1,612,276</u>	<u>1,558,054</u>
Fiduciary Funds	<u>8,729</u>	<u>62,951</u>
Total All Funds	\$ <u>1,621,005</u>	<u>1,621,005</u>

Amounts due from/to other funds primarily represent interfund loans caused by timing of receivables due from other governments to special revenue funds and the related interfund loans necessary to remedy these timing differences. Also represented are transfers from the 16th Section Interest Fund approved by the school board for transfer to the general fund.

Amounts due from/to Fiduciary Funds to/from Governmental Funds were reclassified as other receivables on Statement of Net Assets.

B. Advances To/From Other Funds.

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

Advances To Advances From

Governmental Funds:	\$		
General Fund			1,213,602
Sixteenth Section Principal Fund		1,213,602	
Totals	\$	<u>1,213,602</u>	<u>1,213,602</u>

The above advances represent monies loaned from the Sixteenth Section Principal Fund to the General Fund in accordance with Section 29-3-113, Miss. Code Ann. (1972). The advances were loaned to finance building improvement projects. The interfund loans are also referred to as sixteenth section principal loans payable. The advances bear interest at 4 percent per year.

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

<u>Year Ending</u> <u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$	246,064	48,544	294,608
2009		255,907	38,701	294,608
2010		266,143	28,465	294,608
2011		276,791	17,819	294,610
2012		99,164	26,117	125,281
2013-2018		69,533	5,635	75,168
Totals	\$	<u>1,213,602</u>	<u>165,281</u>	<u>1,378,883</u>

C. Transfers In/Out.

		<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:			
General Fund	\$	857,525	1,390,272
Sixteenth Section Interest Fund		232	1,000,232
Other governmental funds		1,878,141	345,394
Totals	\$	<u>2,735,898</u>	<u>2,735,898</u>

The interfund transfers constitute general operating transfers and transfers of indirect costs. The general operating transfers move Mississippi Adequate Education Program (MAEP) state revenues between funds, while transfers of indirect costs provide resources for the General Fund in return for financing the indirect costs associated with certain federal programs.

(4) Capital Assets.

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

Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007

	Balance July 01, 2006	Additions	Retirements	Completed Construction	Adjustments	Balance June 30, 2007
Non-depreciable Assets:						
Land	\$ 78,257				10,000	88,257
Construction in progress	877,672	313,045		(1,190,717)		0
Total non-depreciable assets	<u>955,929</u>	<u>313,045</u>		<u>(1,190,717)</u>	<u>10,000</u>	<u>88,257</u>
Depreciable Assets:						
Buildings	15,673,914			1,190,717		16,864,631
Building Improvements	2,401,418	203,571				2,604,989
Improvements other than buildings	288,072					288,072
Mobile equipment	2,784,060	313,662				3,097,722
Furniture and equipment	500,172	167,872	29,003			639,041
Leased property under capital lease	808,930		43,170			765,760
Total depreciable assets	<u>22,456,566</u>	<u>685,105</u>	<u>72,173</u>	<u>1,190,717</u>	<u>0</u>	<u>24,260,215</u>
Less: Accumulated Depreciation for -						
Buildings	4,582,220	294,646				4,876,866
Building Improvements	349,827	97,183				447,010
Improvements other than buildings	116,780	11,523			2,071	130,374
Mobile equipment	1,722,001	176,324				1,898,325
Furniture and equipment	363,301	66,134	24,415			405,020
Leased property under capital lease	475,335	50,396	23,312			502,419
Total accumulated depreciation	<u>7,609,464</u>	<u>696,206</u>	<u>47,727</u>	<u>0</u>	<u>2,071</u>	<u>8,260,014</u>
Total depreciable capital assets, net	<u>14,847,102</u>	<u>(11,101)</u>	<u>24,446</u>	<u>1,190,717</u>	<u>(2,071)</u>	<u>16,000,201</u>
Governmental activities capital assets, net	<u>\$ 15,803,031</u>	<u>301,944</u>	<u>24,446</u>	<u>0</u>	<u>7,929</u>	<u>16,088,458</u>

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 55,778
Support services	628,935
Non-instructional	11,493
Total	<u>\$ 696,206</u>

(5) Long-term Liabilities.

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

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

		Balance July 01, 2006	Additions	Reductions	Payment to Refunding Escrow Agent	Balance June 30, 2007	Amounts due within one year
A. Limited obligation bonds payable	\$	5,435,000	4,555,000	345,000	4,350,000	5,295,000	435,000
B. Three mill notes payable		3,335,000		135,000		3,200,000	140,000
C. Obligations under capital lease		451,226		119,766		331,460	125,226
D. Compensated absences payable		314,590		18,394		296,196	14,809
Total \$		<u>9,535,816</u>	<u>4,555,000</u>	<u>618,160</u>	<u>4,350,000</u>	<u>9,122,656</u>	<u>715,035</u>

A. Limited obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement, Series 1997	4.6-6.4%	01-01-1998	01-01-2009	<u>\$7,120,000</u>	<u>\$ 740,000</u>
State aid capital improvement, refunding Series 2007	3.7-3.86%	02-27-2007	11-01-2017	<u>\$4,555,000</u>	<u>\$4,555,000</u>

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

Series 1997

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008 \$	360,000	34,040	394,040
2009	380,000	17,480	397,480
Total \$	<u>740,000</u>	<u>51,520</u>	<u>791,520</u>

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

Series 2007

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2008	\$	75,000	116,289	191,289
2009		25,000	168,799	193,799
2010		425,000	167,875	592,875
2011		440,000	152,150	592,150
2012		455,000	135,870	590,870
2013-2017		2,565,000	409,312	2,974,312
2018		570,000	22,002	592,002
Total	\$	<u>4,555,000</u>	<u>1,172,297</u>	<u>5,727,297</u>

This debt will be retired from the MAEP Retirement Fund (4041).

The Series 2007 State aid capital improvement bond refunding issue refunded a portion of the Series 1997 State aid capital improvement bond issue. For more details concerning this refunding, see Note 11.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-15-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of legal debt limits. This debt will be retired from fund 4041, MAEP Retirement Fund. For more details concerning the pledging of future revenues, see Note 6.

B. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax notes, Series 2003	4.7%	05-14-2003	05-01-2023	<u>\$3,700,000</u>	<u>\$3,200,000</u>

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

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2008	\$	140,000	150,714	290,714
2009		145,000	144,554	289,554
2010		150,000	137,848	287,848
2011		160,000	130,573	290,573
2012		170,000	122,893	292,893
2013-2017		955,000	497,268	1,452,268
2018-2022		1,205,000	249,270	1,454,270
2023		275,000	13,475	288,475
Total	\$	<u>3,200,000</u>	<u>1,446,595</u>	<u>4,646,595</u>

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

This debt will be retired from the Debt Service Fund 4021.

C. Obligations Under Capital Lease.

The school district has entered into four lease agreements that qualify as capital leases for accounting purposes. Leased property under these leases is composed of:

1. Waynesboro Middle School kitchen equipment.
2. Wayne County Vo-tech Center energy efficiency and management equipment.
3. Beat Four Elementary School, Wayne County High School, Clara Elementary School, and Waynesboro Middle School energy efficiency and management equipment.
4. Wayne County Vo-tech Center HVAC, electrical and control system.

The various options available to the district (lessee) for these leases are as follows:

- Upon final payment, the asset title passes to the school district.
- Upon written notice to the lessor, the school district (lessee) has the option of prepaying the total amount as set forth in the agreement. Asset title then passes to the school district upon this payment.

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

Year Ending		Interest and Maintenance	
June 30	Principal	Charges	Total
2008 \$	125,226	13,664	138,890
2009	107,275	7,955	115,230
2010	56,895	3,569	60,464
2011	27,719	1,637	29,356
2012	14,345	334	14,679
Total \$	<u>331,460</u>	<u>27,159</u>	<u>358,619</u>

This debt will be retired from the District Maintenance Fund, School Food Fund, EEF Buildings and Buses Fund, and Vocational Education Fund.

D. Compensated Absences Payable.

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

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

(6) Pledged Revenues.

The school district has pledged a portion of future state revenues to repay two limited tax obligation notes payable.

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$740,000 in limited obligation bonds payable issued in November 1997. Proceeds from the bonds were used to finance capital improvements made to the district's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through 2009. Annual principal and interest payments on the bonds are expected to require less than 4 percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$791,520.

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$4,555,000 in limited obligation refunding bonds payable issued in April 2007. Proceeds from the bonds were used to refund a portion of the outstanding November 1997 limited obligation bonds in the amount of \$4,350,000. The refunding of the bonds constitutes an in-substance defeasance of the old bonds. (See Note 11.) The refunding bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through November 2017. Annual principal and interest payments are expected to require less than 4 percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$5,727,297.

Principal and interest paid for the current year on these two issues and total state Minimum Adequate Education Program revenues were \$591,425 and \$16,759,135, respectively.

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007, was 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$1,797,958, \$1,578,218, and \$1,563,103, respectively, equal to the required contributions for each year.

(8) Sixteenth Section Lands.

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

**Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007**

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2008 \$	37,574
2009	18,607
2010	17,725
2011	14,867
2012	11,859
2013-2017	32,542
2018-2022	11,866
2023-2027	11,866
2028-2032	7,065
Thereafter	3,404
Total \$	<u>167,375</u>

(9) *Prior Period Adjustments/Exhibits.*

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. Adjustment to correct a prior year error in recording a capital asset	\$ 7,929
2. Adjustment to correct a prior year error in recording an asset	159,394
Total	<u>\$ 167,323</u>

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	Prior year expenditures made for special program activities were coded by error in the General Fund. Amounts of special program (special revenue funds) deferred revenue balances were reclassified as assets in the general fund to offset these prior year special program expenditures.	<u>\$ 159,394</u>
Sixteenth Section Interest Fund	Prior year revenue was recorded in error in this fund.	<u>\$ (4,500)</u>
Sixteenth Section Principal Fund	Prior year revenue that should have been recorded in this Fund was recorded in the Sixteenth Section Interest Fund.	<u>\$ 4,500</u>

Wayne County School District
Notes to the Financial Statements
For the Year Ended June 30, 2007

(10) 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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Defeasance of Debt.

On February 27, 2007, the school district refunded and defeased in-substance \$4,350,000 of its outstanding 1997 Series State aid capital improvement bonds, carrying an interest rate of 4.6-6.4%, with new Series 2007 State aid capital improvement refunding bonds in the amount of \$4,555,000, issued at a rate of 3.7-3.86%. Both series require annual debt service payments. Final payment on the refunding issue is due November 1, 2017. The refunding bonds were issued at a discount of \$47,304.

All issuance costs of the transaction (\$43,060) were paid from bond proceeds. The net proceeds were used to purchase U. S. government obligations. These government obligations were deposited with an escrow agent to provide for debt service on the 1997 debt to the maturity date of November 1, 2017.

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt is \$117,069. The economic gain resulting from the transaction (the difference between the present value of the cash flows required to service the old debt and the cash flows required to service the new debt discounted at the effective interest rate) is \$98,193.

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT
 Budgetary Comparison for the General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 4,189,600	4,189,600	4,448,716	0	259,116
State sources	16,609,888	16,609,888	16,996,348	0	386,460
Federal sources	168,000	168,000	646,298	0	478,298
Sixteenth Section sources	678,710	678,710	0	0	(678,710)
Total Revenues	21,646,198	21,646,198	22,091,362	0	445,164
Expenditures					
Instruction	14,678,050	14,678,050	14,265,987	0	412,063
Support Services	7,444,200	7,444,200	6,760,165	0	684,035
Noninstructional	189,500	189,500	129,037	0	60,463
Facilities Acquisition	0	0	203,571	0	(203,571)
Debt service					
Principal	363,108	363,108	63,204	0	299,904
Interest	70,840	70,840	70,840	0	0
Total Expenditures	22,745,698	22,745,698	21,492,804	0	1,252,894
Excess (Deficiency) of Revenues Over Expenditures	(1,099,500)	(1,099,500)	598,558	0	1,698,058
Other Financing Sources (Uses)					
Insurance loss recoveries	0	0	55,795	0	55,795
Sale of property	0	0	759	0	759
Operating transfers in	0	0	857,525	0	857,525
Operating transfers out	0	0	(1,390,272)	0	(1,390,272)
Total Other Financing Sources (Uses)	0	0	(476,193)	0	(476,193)
Net Change in Fund Balances	(1,099,500)	(1,099,500)	122,365	0	1,221,865
Fund Balances					
July 1, 2006	975,949	975,949	975,949	0	0
Prior period adjustments	159,393	159,393	159,394	0	1
July 01, 2006, restated	1,135,342	1,135,342	1,135,343	0	1
June 30, 2007	\$ 35,842	35,842	1,257,708	0	1,221,866

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

WAYNE COUNTY SCHOOL DISTRICT
 Budgetary Comparison for the Sixteenth Section Interest Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 0	0	1,663	0	1,663
State sources	0	0	0	0	0
Sixteenth section sources	542,215	542,215	381,269	0	(160,946)
Federal sources	0	0	0	0	0
Total Revenues	542,215	542,215	382,932	0	(159,283)
Expenditures					
Instruction	0	0	0	0	0
Support Services	0	0	0	0	0
Noninstructional	0	0	0	0	0
Sixteenth section	60,000	60,000	2,458	0	57,542
Debt service	0	0	0	0	0
Total Expenditures	60,000	60,000	2,458	0	57,542
Excess (Deficiency) of Revenues Over Expenditures	482,215	482,215	380,474	0	(101,741)
Other Financing Sources (Uses)					
Operating transfers in	0	0	232	0	232
Operating transfers out	(1,000,000)	(1,000,000)	(1,000,232)	0	(232)
Total Other Financing Sources (Uses)	(1,000,000)	(1,000,000)	(1,000,000)	0	0
Net Change in Fund Balances	(517,785)	(517,785)	(619,526)	0	(101,741)
Fund Balances					
July 1, 2006	1,648,999	1,648,999	1,648,999	0	0
Prior period adjustments	0	0	(4,500)	0	(4,500)
July 1, 2006 restated	1,648,999	1,648,999	1,644,499		(4,500)
June 30, 2007	\$ 1,131,214	1,131,214	1,024,973	0	(106,241)

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:	10.550	\$ 109,732
Food donation		
Child nutrition cluster:		
School breakfast program	10.553	410,202
National school lunch program	10.555	1,045,799
Total child nutrition cluster		<u>1,456,001</u>
Total U. S. Department of Agriculture		<u>1,565,733</u>
<u>Forest Service, Department of Agriculture</u>		
Passed-through the Wayne County Board of Supervisors:		
Urban and community forestry program	10.675	293,945
Total Forest Service, Department of Agriculture		<u>293,945</u>
<u>U. S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	49,830
Total U.S. Department of Defense		<u>49,830</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service 1	32.XXX	163,283
Total Federal Communications Commission		<u>163,283</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,256,821
Vocational education - basic grants to states	84.048	60,127
Safe and drug-free schools and communities - state grants	84.186	36,387
State grants for innovative programs	84.298	18,442
Education technology - state grants	84.318	13,400
Transition to teaching	84.350	40
Rural education	84.358	86,691
Improving teacher quality - state grants	84.367	346,287
Total U. S. Department of Education		<u>1,818,195</u>
Special education cluster:		
Special education - grants to states	84.027	918,833
Special education - preschool grants	84.173	49,160
Total		<u>967,993</u>
Total passed-through Mississippi Department of Education		<u>2,786,188</u>
Total U. S. Department of Education		<u>2,786,188</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	139,199
Total U. S. Department of Health and Human Services		<u>139,199</u>
Total for All Federal Awards		<u>\$ 4,998,178</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, as used for the basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

WAYNE COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2007

Expenditures	Total	Instructional and		General Administration	School Administration	Other
		Other Student	Instructional Expenditures			
Salaries and fringe benefits	\$ 21,166,801		16,777,173	756,408	1,199,977	2,433,243
Other	8,463,726		2,690,726	197,759	47,603	5,527,638
Total	29,630,527		19,467,899	954,167	1,247,580	7,960,881
Total number of students *	3896		3896	3896	3896	3896
Cost per student	\$ 7,605		4,997	245	320	2,043

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

Instructional and other Student Instructional Expenditures – includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers; teacher aides or classroom assistants of any type (all the 1,000's, 2100's, and 2200's functional expenditure codes).

General Administration – includes expenditures for the following functions: Support Services – General Administration (2300's) and Support Services – Business (2500's).

School Administration – includes expenditures for the following function: Support Services – School Administration (2400's).

Other – includes all expenditure functions not included in Instructional or Administration categories.

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WAYNE COUNTY SCHOOL DISTRICT

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Suzanne E. Smith
Certified Public Accountant

P.O. Box 7124
Meridian, MS 39304
Phone: (601) 482-7966

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Superintendent and School Board
Wayne County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County School District as of and for the year ended June 30, 2007, which collectively comprise Wayne County School District's basic financial statements and have issued my report thereon dated March 18, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in the internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as **Findings 2007-01, 2007-02, and 2007-03 to be significant deficiencies in internal control over financial reporting.**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessary disclose all significant deficiencies that are also considered to be material weaknesses. **However, of the significant deficiencies described above, I consider Finding 2007-01 to be a material weakness.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, I noted a certain immaterial instance of noncompliance or other matters that I have reported to management of the School District in a separate letter dated March 18, 2008, which is included in this report.

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



Meridian, MS
March 18, 2008

Suzanne E. Smith
Certified Public Accountant

P.O. Box 7124
Meridian, MS 39304
Phone: (601) 482-7966

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR 1-133

Superintendent and School Board
Wayne County School District

Compliance

I have audited the compliance of the Wayne County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the Wayne County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

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

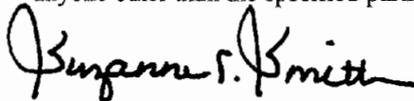
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood

that material noncompliance with a type of compliance requirement of a federal program that will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance I consider to be material weaknesses, as defined above.

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



Meridian, MS
March 18, 2008

WAYNE COUNTY SCHOOL DISTRICT

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

WAYNE COUNTY SCHOOL DISTRICT

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Suzanne E. Smith
Certified Public Accountant

P.O. Box 7124
Meridian, MS 39304
Phone: (601) 482-7966

**REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

Superintendent and School Board
Wayne County School District

I 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, 2007, which collectively comprise Wayne County School District's basic financial statements and have issued my report thereon dated March 18, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion. The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$195,163 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate function level expenditure codes in expenditures by the school district. The results of my procedures performed to test compliance with the requirements of Section 37-9-18(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation and your response are as follows:

1. Combining Budgets Should be Approved by the School Board and Documented

Section 37-61-17, Miss. Code Ann. (1972), states that it shall be the duty of the State Auditor to prescribe the forms for the school district budget, and that it shall be the duty of the superintendent of schools and school board to use such forms in preparing the district budget. Section 37-61-21(1), Miss. Code Ann. (1972), requires that "the revised portions of the budget shall be incorporated in the minutes of the school board by spreading them on the minutes or attached them to the minutes as an addendum. Final budget revisions for the fiscal year shall be approved on or before October 15 of the subsequent fiscal year, which is the date set by the State Board of Education for the school district to submit its financial information for that fiscal year.

During my test work, I noted that only a combined summary budget was approved by the school form. A combining budget to support this board-approved document was not attached to the minutes of the meeting. at the time of test work, the combining original budget from the financial accounting software did not tie to the amounts approved by the school board as the original budget. No budget amendment for the fiscal year ending June 30, 2007, was approved by the school board.

Recommendation

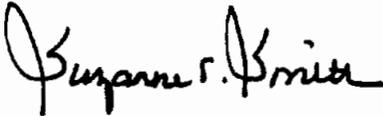
I recommend the district comply with the applicable state statutes in this area by providing a combining schedule as an attachment to the school board minutes that will serve as documentation of the fund-by-fund original budget numbers to be approved by the board. If revisions are made to the original budget during the year, the school board should, by October 15 of the subsequent fiscal year, formally approve any and all such revisions.

School District's Response

This matter was brought to our attention at the exit conference for the 2006 fiscal year audit. There was no time to correct this matter before the 2007 fiscal year ended. In the future, the district will make sure that all budget forms prescribed by the Mississippi Code and the State Auditor's Office are provided to the school board and that the final budget revisions are approved by the board on or before October 15 as stipulated.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

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



Meridian, MS
March 18, 2008

WAYNE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WAYNE COUNTY SCHOOL DISTRICT

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**Wayne County School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2007**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. Material noncompliance relating to the basic financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified that are not considered to be material Weaknesses? | Yes |

Federal Awards:

- | | |
|---|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material Weaknesses? | No |
| 6. Any audit finding(s) reported as required by section ____510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Title I grants to Local Educational Agencies
CFDA # 84.010 | |
| b. Special Education Cluster
CFDA # 84.027
CFDA# 84.173 | |
| c. Improving Teacher Quality - State Grants
CFDA# 84.367 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133 | No |

Section 2: Financial Statement Findings

Material Weakness

2007-01. Finding Weakness in controls surrounding year-end closing and adjusting entries and conversion entries necessary to prepare the district's financial statements.

Generally accepted accounting principles were improperly applied regarding certain year-end closing entries and adjusting transactions regarding the accounting for negative cash balances in pooled bank accounts and refunding debt issuances. Appropriate application of generally accepted accounting principles insures properly stated financial statements. The cause of this condition appears to be an oversight of the business office and a misunderstanding of certain generally accepted accounting principles governing the accounting for negative cash balances in pooled bank accounts and refunding debt issuances. Such conditions could lead to materially misstated financial statements.

While school district management appropriately recorded many of the necessary year-end accruals, deferrals, adjusting entries, and conversion entries, there were journal entries that were made during the course of the audit that were considered material and necessary for the fair presentation of the statements in accordance with generally accepted accounting principles.

Recommendation

It is recommended that correct and appropriate generally accepted accounting principles be applied in the preparation of year-end financial statements.

Control Deficiencies Not Considered to be Material Weaknesses

2007-02. Finding Lack of segregation of duties in local school activity fund receipting/handling

A lack of segregation of duties exists at the local schools in the area of cash receipting/handling for student activity fund accounts. The following duties are combined for one person at each school:

- Cash receipts
- Coding of cash receipts
- Preparation of deposits
- Transportation of deposits

This increases the risk that unauthorized or inappropriate transactions could be processed and not be detected by school district business department employees in the normal course of their day-to-day duties. The schools collected in excess of \$1,026,592 in total activity fund revenues during the 2006-2007 year. Much of this revenue collected was in the form of cash. Of special concern is the amount of cash collected as a result of school-wide fundraisers flowing through the student activity funds. While limited reconciliation of the profit earned with profit expected exists in some of the schools, there is no formal independent verification of profit earned on school-wide fundraisers. As in many public school districts, staff is limited at the local school level. Limited staff at each location is likely the main reason for this lack of segregation of duties.

Recommendation

While the best course of action would be to increase staff size, this may not be cost-effective or feasible for all locations. The school district should explore compensating controls that would allow a system of checks and balances in the cash receipt/handling function of student activity fund monies, especially in the area of school-wide fundraisers.

The school district should establish controls and independent verifications to ensure that all fund-raisers and related programs function in such a way as to ensure that all sales and profits associated with the events are deposited timely and the realized profit is reasonable and independently verified.

2007-03. Finding Lack of controls surrounding the coding of certain revenues and revenue deferrals.

The school district classified \$68,560 in federal Medicaid revenues incorrectly as state revenues. Year-end deferrals of federal revenues in the amount of \$51,194 were not recorded as liability accounts with a corresponding reduction in federal revenues earned during the year ended June 30, 2007.

Generally accepted accounting principles were improperly applied regarding the year-end deferrals. As a result, federal revenues were overstated. Appropriate application of generally accepted accounting principles insures properly stated financial statements. The cause of this condition appears to be a simple oversight.

Recommendation

It is recommended that correct and appropriate generally accepted accounting principles be applied in the preparation of year-end financial statements and that all revenue coding be reviewed prior to the actual preparation of the financial statements.

Section 3: Federal Award Findings and Questioned Costs

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

Robert Dean,
Superintendent of Education

Keith Clay,
Deputy Superintendent of Education

"Building Tomorrow's Leaders Today"

Leah Parsons, District 1
Lawrence Taylor, District 2
Charles Chapman, District 3
Jimmy Barnett, District 4
Terry Graham, District 5
Tommy Dickerson, Board Attorney

RESPONSES TO AUDIT FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

- 2007-01
- a. Doug Everitt, Business Manager
Telephone (601) 735-4871
 - b. Correct and appropriate generally accepted accounting principles will be applied in the preparation of the year-end financial statements just as recommended.
 - c. Immediate
- 2007-02
- a. Robert Dean, Superintendent
Doug Everitt, Business Manager
Telephone (601) 735-4871
 - b. In view of the lack of stringent controls over the handling of cash receipts at the individual schools, we will initiate some unannounced audits of selected fund raisers at various schools and we will institute some added controls over cash receipts at the individual schools. We will thoroughly cover this finding with the Financial Secretaries and Principals at each school and work with them to improve the controls over cash receipts.
 - c. June 30, 2008
- 2007-03
- a. Doug Everitt, Business Manager
Telephone (601) 735-4871
 - b. These oversights will not recur in the future.
 - c. Immediate.

Sincerely,



Robert Dean
Superintendent of Education

