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WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
FINANCIAL AUDIT REPORT

WAYNE COUNTY SCHOOL DISTRICT

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

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, 2008, 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 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 opinions.

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, 2008, 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.

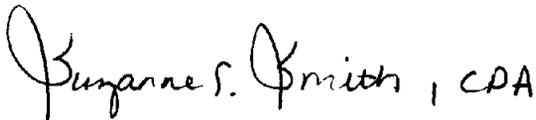
In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2009, on my consideration of the Wayne County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 45 through 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 and is not a required part of the basic financial statements. 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.

The other supplementary information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds - Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund - Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Suzanne S. Smith, CPA

Meridian, MS  
June 18, 2009

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, 2008**

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, 2008. 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 \$8,102,715, which represents a 56% increase from the fiscal year 2007.
- General revenues accounted for \$32,066,926 in revenue, or 82% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,273,901, or 18% of total revenues.
- The District had \$31,209,181 in expenses; only \$7,273,901 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$32,066,926 were adequate to provide for these programs.
- Among major funds, the General Fund had \$22,045,613 in revenues and \$23,036,711 in expenditures. The General Fund's fund balance decreased \$420,011 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$328,187.
- Long-term debt decreased by \$557,295.

**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.

**Wayne County School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non instructional services, sixteenth section, 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 used for their intended purpose. The school district's fiduciary activities are presented in a separate statement of fiduciary assets and liabilities 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.

**Wayne County School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General 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 section entitled Supplementary Information.

A Four-Year Comparison of the Schedule of Revenues, Expenditures, and Changes in Fund Balances for Total Governmental Funds and a similar Four-Year Comparison for the General Fund can be found in the report section entitled Other Supplementary Information.

**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 \$22,681,202 as of June 30, 2008.

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 leases), 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, 2008 and 2007.

	<b>2008</b>	<b>2007</b>	<b>% Change</b>
<b>Assets</b>			
Current assets	\$ 5,252,102	\$ 6,499,932	-19.2%
Other assets	12,080,713	2,332,257	418.0%
Capital assets, net	<u>15,760,271</u>	<u>16,088,458</u>	-2.0%
<b>Total Assets</b>	<u><b>33,093,086</b></u>	<u><b>24,920,647</b></u>	<b>32.8%</b>
<b>Liabilities</b>			
Current liabilities	\$ 1,846,523	\$ 1,219,504	51.4%
Long-term liabilities	<u>8,565,361</u>	<u>9,122,656</u>	-6.1%
<b>Total Liabilities</b>	<u><b>10,411,884</b></u>	<u><b>10,342,160</b></u>	<b>0.7%</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 7,559,037	\$ 7,261,998	4.1%
Restricted	14,648,595	6,354,977	130.5%
Unrestricted	<u>473,570</u>	<u>961,512</u>	-50.7%
<b>Total Net Assets</b>	<u><b>\$ 22,681,202</b></u>	<u><b>\$ 14,578,487</b></u>	<b>55.6%</b>

**Wayne County School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

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

- The principal payment of long-term liabilities in the amount of \$625,226.
- Current year depreciation expense charges of \$711,157 and additions of capital assets of \$425,863.
- Retirements of capital assets of \$249,162.
- The increase of \$8,698,049 in restricted assets held in the Sixteenth Section Principal Fund (permanent fund) earned through the sale of nonrenewable resources.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$39,340,827. The total cost of all programs and services was \$31,209,181. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

	2008	2007	% Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 1,272,164	\$ 1,334,453	-4.7%
Operating grants and contributions	<u>6,001,737</u>	<u>5,355,297</u>	12.1%
<b>Total Program Revenues</b>	<u>7,273,901</u>	<u>6,689,750</u>	8.7%
<b>General Revenues</b>			
Property taxes	\$ 3,400,712	3,586,393	-5.2%
Unrestricted grants and contributions	18,404,019	18,003,048	2.2%
Other general revenues	<u>10,262,195</u>	<u>2,066,033</u>	396.7%
<b>Total General Revenues</b>	<u>32,066,926</u>	<u>23,655,474</u>	35.6%
<b>Total Revenues</b>	<u>39,340,827</u>	<u>30,345,224</u>	29.6%
<b>Expenses</b>			
Instruction	\$ 18,665,998	17,530,996	6.5%
Support Services	9,752,111	8,325,394	17.1%
Non-instructional	2,299,418	2,210,776	4.0%
Sixteenth section	81,378	82,661	-1.6%
Interest on long-term liabilities	406,918	465,676	-12.6%
Other	<u>3,358</u>	<u>82,865</u>	-95.9%
<b>Total Expenses</b>	<u>31,209,181</u>	<u>28,698,368</u>	8.7%
<b>Increase(Decrease) in net assets</b>	<u>\$ 8,131,646</u>	<u>\$ 1,646,856</u>	393.8%
Net Assets, July 1	14,578,487	12,764,308	14.2%
Prior Period Adjustments	<u>(28,931)</u>	<u>167,323</u>	-117.3%
Net Assets, June 30	<u>\$ 22,681,202</u>	<u>\$ 14,578,487</u>	55.6%

**Wayne County School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

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

- Expenses for Instruction increased by \$1,135,002 from the previous year. Most of this increase was attributable to an increase in staff at all locations.
- Expenses for Support services increased by \$1,426,717 from the previous year. Most of this increase was attributable to an increase in support service staff.
- Other expenses decreased by \$79,507 from the 2007 year. A refunding bond was issued in the 2007 year, and the other expenses reflected bond issuance costs particular to that year's refunding issue.
- Sixteenth section sources (general revenues) increased by \$8,070,933 from the 2007 year. This increase resulted from increased oil production revenues on producing wells located on sixteenth section lands.

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

	2008	2007	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
Instruction	\$ 18,665,998	\$ 17,530,996	\$ (15,122,616)	\$ (13,974,619)
Support services	9,752,111	8,325,394	(8,096,780)	(7,199,245)
Non-instructional	2,299,418	2,210,776	(302,824)	(327,992)
Sixteenth section	81,378	82,661	(2,784)	(82,661)
Interest on long-term liabilities	406,918	465,676	(406,918)	(341,236)
Other	3,358	82,865	(3,358)	(82,865)
<b>Total Governmental Activities</b>	<b>\$ 31,209,181</b>	<b>\$ 28,698,368</b>	<b>\$ (23,935,280)</b>	<b>\$ (22,008,618)</b>

- Net cost of governmental activities, (\$23,935,280) was financed by general revenue, which is made up of primarily property taxes (\$3,400,712), state revenue (\$18,002,561), and federal revenue (\$401,458).
- Investment earnings accounted for \$592,814 of general revenue funding.
- Sixteenth section sources accounted for \$9,612,712 of general revenue funding.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

**Wayne County School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$15,504,757, an increase of \$7,871,654 from the previous year, which includes the effect of the decrease in inventory of \$15,287. \$1,404,298 or 9% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$14,100,459 or 91% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$420,011.

The Sixteenth Section Principal Fund fund balance increased by \$8,698,049. The Other Governmental Funds combined fund balances decreased by \$406,384, which includes the effect of the decrease in inventory of \$15,287.

### **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

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the District's total capital assets were \$24,570,022, 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 \$221,550 from the previous year. Total accumulated depreciation as of June 30, 2008, was \$8,809,751 and total depreciation expense for the year was \$711,157, resulting in total net capital assets of \$15,760,271.

**Wayne County School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

	<b>Capital Net Assets, Net of Depreciation</b>		<b>Percentage</b>
	<b>2008</b>	<b>2007</b>	<b>Change</b>
Land	\$ 88,257	\$ 88,257	0.0%
Buildings	11,630,417	11,987,765	-3.0%
Building improvements	2,085,646	2,157,979	-3.4%
Improvements other than buildings	146,175	157,698	-7.3%
Mobile equipment	1,353,293	1,199,397	12.8%
Furniture and equipment	243,604	234,021	4.1%
Leased equipment	212,879	263,341	-19.2%
<b>Total</b>	<b>\$ <u>15,760,271</u></b>	<b>\$ <u>16,088,458</u></b>	<b>-2.0%</b>

Additional information about the District's capital assets can be found in Note 5 of the notes to the financial statements in this report.

**Debt Administration.** At June 30, 2008, the District had \$8,565,361 in long term debt , of which \$732,275 is due within one year. The following table shows general long-term debt balances for the year ending June 30, 2008, as compared to June 30, 2007.

			<b>Percentage</b>
	<b>2008</b>	<b>2007</b>	<b>Change</b>
Limited obligation bonds payable	\$ 4,935,000	\$ 5,295,000	-6.8%
Three mill notes payable	3,060,000	3,200,000	-4.4%
Other loans payable	206,234	331,460	-37.8%
Compensated absences payable	364,127	296,196	22.9%
<b>Total</b>	<b>\$ <u>8,565,361</u></b>	<b>\$ <u>9,122,656</u></b>	<b>-6.1%</b>

Additional information on the District's long-term debt obligations can be found in Note 6 in the notes to the financial statements in this report.

**CURRENT ISSUES**

The District is proud of its community support of the public schools. The District is committed to academic excellence and the shaping of students into productive citizens.

The District has begun experiencing a decline in the District Maintenance Fund (general operating fund) fund balance. This will require that future budgets be adjusted accordingly in order to bring the fund balance to a more acceptable operating level.

**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, 2008

Exhibit A

ASSETS	Governmental Activities
Cash and cash equivalents (Note 2)	\$ 4,225,598
Due from other governments	743,124
Inventories and prepaid items	215,121
Other receivables	68,259
Restricted assets (Note 4)	12,041,293
Unamortized bond discount	39,420
Capital assets, net of accumulated depreciation (Note 5)	15,760,271
<b>Total assets</b>	<b><u>33,093,086</u></b>
LIABILITIES	
Accounts payable and accrued liabilities	1,749,138
Unearned revenue	39,500
Interest due on long-term liabilities	57,885
Long-term liabilities (due within one year) (Note 6)	
Capital-related liabilities	732,275
Non-capital liabilities	0
Long-term liabilities (due beyond one year) (Note 6)	
Capital-related liabilities	7,468,959
Non-capital liabilities	364,127
<b>Total liabilities</b>	<b><u>10,411,884</u></b>
NET ASSETS	
Invested in capital assets, net of related debt	7,559,037
Restricted net assets	
Expendable:	
School-based activities	1,163,198
Debt service	1,060,594
Forestry improvements	121,526
Unemployment benefits	92,791
Non-expendable:	
Sixteenth section	12,210,486
Unrestricted	473,570
<b>Total net assets</b>	<b><u>\$ 22,681,202</u></b>

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, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 18,665,998	800,560	2,742,822			(15,122,616)
Support services	9,752,111		1,655,331			(8,096,780)
Noninstructional services	2,299,418	393,010	1,603,584			(302,824)
Sixteenth section	81,378	78,594				(2,784)
Interest on long-term debt	406,918					(406,918)
Other	3,358					(3,358)
Total governmental activities	\$ 31,209,181	1,272,164	6,001,737	0	\$	(23,935,280)
<b>General Revenues:</b>						
<b>Taxes:</b>						
General purpose levies						3,152,046
Debt service levies						248,666
<b>Unrestricted grants and contributions:</b>						
State						18,002,561
Federal						401,458
Unrestricted investment earnings						592,814
Sixteenth section sources						9,612,712
Other						56,669
Total general revenues						32,066,926
Change in Net Assets						8,131,646
Net Assets - Beginning						14,578,487
Prior Period Adjustments						(28,931)
Net Assets - Beginning - Restated						14,549,556
Net Assets - Ending					\$	22,681,202

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, 2008

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	1,576,185	11,948,554	1,943,807	15,468,546
Cash with fiscal agent	0	0	1,388	1,388
Investments	0	0	499,363	499,363
Due from other governments	297,483	0	743,235	1,040,718
Due from other funds	1,233,464	0	112,183	1,345,647
Advances from other funds	0	967,538	0	967,538
Inventory and prepaid items	179,585	0	35,536	215,121
Other receivables	131	0	0	131
<b>Total assets</b>	<b>\$ 3,286,848</b>	<b>12,916,092</b>	<b>3,335,512</b>	<b>19,538,452</b>
<b>LIABILITIES &amp; FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	1,360,184	0	379,708	1,739,892
Due to other funds	121,429	705,606	459,730	1,286,765
Advances to other funds	967,538	0	0	967,538
Unearned revenue	0	0	39,500	39,500
<b>Total liabilities</b>	<b>2,449,151</b>	<b>705,606</b>	<b>878,938</b>	<b>4,033,695</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Advances	0	937,538	0	937,538
Permanent fund purposes	0	11,272,948	0	11,272,948
Forestry improvements	0	0	121,526	121,526
Inventory and prepaid items	179,585	0	35,536	215,121
Debt service	0	0	1,079,059	1,079,059
Unemployment benefits	0	0	92,791	92,791
Ad valorem	381,476	0	0	381,476
<b>Unreserved:</b>				
<b>Undesignated, reported in</b>				
General funds	276,636	0	0	276,636
Special revenue funds	0	0	1,127,662	1,127,662
<b>Total fund balances</b>	<b>837,697</b>	<b>12,210,486</b>	<b>2,456,574</b>	<b>15,504,757</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 3,286,848</b>	<b>12,916,092</b>	<b>3,335,512</b>	<b>19,538,452</b>

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

WAYNE COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Activities  
June 30, 2008

Total fund balance - governmental funds \$ 15,504,757

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

- 1 Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$8,809,751 (Note 5). 15,760,271
- 2 Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds (Note 6). (8,565,361)
- 3 Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues. (57,885)
- 4 Unamortized bond discount is capitalized and amortized over the life of the debt in the Statement of Net Assets. In the governmental funds the discount is recognized in the year of issuance. 39,420

Total net assets - governmental activities \$ 22,681,202

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

## WAYNE COUNTY SCHOOL DISTRICT

Exhibit D

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

For the Year Ended June 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>REVENUES</b>				
Local sources	4,137,504	0	701,255	4,838,759
State sources	17,429,842	0	1,230,292	18,660,134
Federal sources	478,267	0	5,267,355	5,745,622
Sixteenth section sources	0	9,403,655	686,245	10,089,900
Total revenues	\$ 22,045,613	9,403,655	7,885,147	39,334,415
<b>EXPENDITURES</b>				
Instruction	14,975,639	0	3,641,218	18,616,857
Support Services	7,834,195	0	1,710,429	9,544,624
Noninstructional services	77,931	0	2,072,230	2,150,161
Sixteenth section	0	0	81,378	81,378
Facilities acquisition	25,886	0	0	25,886
Debt service:				
Principal	66,059	0	559,167	625,226
Interest	57,001	0	351,870	408,871
Other	0	0	3,358	3,358
Total expenditures	23,036,711	0	8,419,650	31,456,361
Excess(deficiency) of revenues over expenditures	(991,098)	9,403,655	(534,503)	7,878,054
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance loss recoveries	2,871	0	0	2,871
Sale of property	2,300	0	776	3,076
Other financing sources	8,968	0	0	8,968
Transfers in	1,746,034	0	1,189,086	2,935,120
Transfers out	(1,189,086)	(705,606)	(1,040,428)	(2,935,120)
Other financing uses	0	0	(6,028)	(6,028)
Total other financing sources and uses	571,087	(705,606)	143,406	8,887
Net change in fund balances	(420,011)	8,698,049	(391,097)	7,886,941
Fund balances:				
July 1, 2007	1,257,708	3,512,437	2,862,958	7,633,103
Increase(decrease) in inventory	0	0	(15,287)	(15,287)
June 30, 2008	\$ 837,697	12,210,486	2,456,574	15,504,757

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

WAYNE COUNTY SCHOOL DISTRICT

Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2008

Net change in fund balances (Exhibit D)	<u>Amount</u> \$ 7,886,941
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Amounts reported for governmental activities in the statement of activities are different because:

- |   |  |           |
|---|--|-----------|
| 1 | Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets.  | 425,863   |
| 2 | Depreciation is not an expenditure in governmental funds but is an expense of allocating the costs of capital assets over estimated useful lives of the assets in the statement of activities.   | (711,157) |
| 3 | 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. | (68,462)  |
| 4 | Payment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.   | 625,226   |
| 5 | 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   | (13,431)  |
| 6 | Decrease in inventory is recorded as an adjustment to fund balance in the governmental funds but noninstructional expenditures are increased in the statement of activities.   | (15,287)  |
| 7 | Governmental funds recognize interest on long-term debt when it becomes due; however, the statement of activities recognizes interest expense regardless of when the interest becomes due.   | 5,895     |
| 8 | The unamortized bond discount is capitalized and amortized over the life of the outstanding refunding debt issue in the government-wide statements but is recognized in the year of reissuance in the governmental funds.  | (3,942)   |

Changes in net assets of governmental activities (Exhibit B)	<u>\$ 8,131,646</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, 2008

Exhibit E

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 148,467
Due from other funds	<u>9,246</u>
Total Assets	<u>157,713</u>
<b>LIABILITIES</b>	
Due to other funds	68,128
Due to student clubs	<u>89,585</u>
Total Liabilities	<u>\$ 157,713</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

WAYNE COUNTY SCHOOL DISTRICT

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## ***(1) Summary of Significant Accounting Policies.***

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

### **A. Financial Reporting Entity.**

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

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

### **B. Basis of Presentation.**

#### Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the district. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. The district did not have any business type activities for the Year Ended June 30, 2008.

The Statement of Net Assets presents the district's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable as related to a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital

*(1) Summary of Significant Accounting Policies continued.*

requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the general fund are paid the general operating expenditures, including instructional, support, and other costs.

Sixteenth Section Principal Fund - This permanent fund is used to account for the financial resources associated with sixteenth section revenue sources that are legally restricted to the extent that only investment earnings, and not the principal, may be used for purposes that support the district's programs.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets. The district's fiduciary funds include the following:

Student Club Funds - Agency funds that are used in a custodial capacity to account for the assets and liabilities of student clubs and organized activities.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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.

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.

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

FIDUCIARY FUNDS

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

***(1) Summary of Significant Accounting Policies continued.***

**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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

**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*

**(1) Summary of Significant Accounting Policies continued.**

*School Systems*, 2003, issued by the U.S. Department of Education.

**E. Encumbrances.**

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end.

Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**F. Assets, liabilities, and net assets or equity.**

1. Cash, Cash equivalents and investments.

Cash and cash equivalents.

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

Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than 3 months when acquired.

Investments of the district are reported at fair market value.

2. Receivables and payables.

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

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

3. Due from other governments.

Due from other governments represents amounts due from the State of Mississippi and from various grant sources and from other governments.

4. Inventories and prepaid items.

**(1) Summary of Significant Accounting Policies continued.**

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

5. Restricted assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. The nonexpendable portion of the permanent fund is classified as restricted assets because the funds are not available for use by the district except as provided for under state statute for loans from this fund and for investment purposes. Certain resources set aside for repayment of debt are classified as restricted assets on the statement of net assets because the use of these resources is limited by applicable debt statutes.

6. Capital assets.

Capital assets, which include property, plant, and furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset life are not capitalized. Capital assets are defined by the district as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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

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

7. Compensated absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided for by school district policy provided that it does not exceed the provisions for leave as

**(1) Summary of Significant Accounting Policies continued.**

provided in Sections 25-3-93 and 25-3-95, Miss. Code Ann. (1972). 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 27-7-307(5), Miss. Code Ann. (1972).

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

8. Long-term liabilities, deferred debt expense, and bond discounts/premiums.

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

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

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 and are not available for current operations. Following is a description of fund reserves used by the district.

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 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 and prepaid items do not represent available spendable resources even though they are 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.

***(1) Summary of Significant Accounting Policies continued.***

Reserved for ad valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

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

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

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

Investments. Sections 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorize 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 \$15,468,546 and \$148,467, respectively. The bank balance of the district's cash and cash equivalents was \$17,249,610.

*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, 2008, none of the district's bank balance of \$17,249,610 was exposed to custodial credit risk.

**(2) Cash and Cash Equivalents and Investments continued.**

Cash with fiscal agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$1,388.

Investments.

As of June 30, 2008, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Funds	Less than 1 year	499,363	AAAm
Total Investments		<u>\$ 499,363</u>	

*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. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

*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. As of June 30, 2008, the district had no investments for which this disclosure would apply.

These investments are shown on the government-wide statements as restricted assets, since the use of the assets is pledged and restricted for long-term debt repayment.

**(3) Interfund Transactions and Balances.**

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sixteenth Section Principal Fund	\$ 705,606
	Other governmental funds	459,730
	Fiduciary funds	68,128
Other governmental funds	General Fund	112,183
Fiduciary funds	General Fund	9,246
		<u>\$ 1,354,893</u>

Amounts due from/to other funds represent interfund loans caused by timing of receivables due from other governments to special revenue funds (other governmental funds) and the related interfund loans necessary to remedy these timing differences. Interest earnings in the Sixteenth Section Principal Fund approved by the school board for transfer to the General Fund are shown as interfund payables at balance sheet date. Amounts of interest earned on fiduciary fund checking accounts in current and prior years are shown as amounts payable to the General Fund at June 30, 2008.

B. Advances To/From Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sixteenth Section Principal Fund	General Fund	\$ 967,538
Total		<u>\$ 967,538</u>

Advances To/From Other Funds represent loans 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.

**(3) Interfund Transactions and Balances continued.**

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>
2009 \$	255,907	38,701	294,608
2010	266,143	28,465	294,608
2011	276,791	17,817	294,608
2012	99,164	26,117	125,281
2013	69,533	5,635	75,168
Total	<u>\$ 967,538</u>	<u>116,735</u>	<u>1,084,273</u>

**C. Interfund Transfers.**

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental Funds	1,189,086
Sixteenth Section Principal Fund	General Fund	705,606
Other governmental funds	General fund	1,040,428
Totals		<u>2,935,120</u>

The interfund transfers constitute general operating transfers and transfers of indirect costs. The general operating transfers move resources 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) Restricted Assets**

The restricted assets on the Statement of Net Assets represent the cash balance totaling \$11,242,948 of the Sixteenth Section Principal Fund (Permanent fund), which is legally restricted and may not be used for purposes that support the District's programs. In addition, the restricted assets also include cash with fiscal agent (\$1,388) and investments pledged to repay MAEP Limited Obligation Bonds in the debt service fund (\$499,363) and amounts due from other governments that are similarly pledged (\$297,594). The total amount of the assets pledged for debt repayment is \$798,345. Total restricted assets is \$12,041,293.

**(5) Capital Assets.**

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

	Balance July 01, 2007	Additions	Retirements	Adjustments	Balance June 30, 2008
Non-depreciable Assets:					
Land	\$ 88,257				88,257
Total non-depreciable assets	<u>88,257</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>88,257</u>
Depreciable Assets:					
Buildings	16,864,631		(65,000)		16,799,631
Building improvements	2,604,989	25,886			2,630,875
Improvements other than buildings	288,072	0			288,072
Mobile equipment	3,097,722	362,340	(162,452)	0	3,297,610
Furniture and equipment	639,041	37,637	(15,010)	44,849	706,517
Leased property under capital lease	765,760		(6,700)	0	759,060
Total depreciable assets	<u>24,260,215</u>	<u>425,863</u>	<u>(249,162)</u>	<u>44,849</u>	<u>24,481,765</u>
Less: Accumulated Depreciation for -					
Buildings	4,876,866	294,948	(13,000)	10,400	5,169,214
Building improvements	447,010	98,219			545,229
Improvements other than buildings	130,374	11,523			141,897
Mobile equipment	1,898,325	192,199	(146,207)	0	1,944,317
Furniture and equipment	405,020	63,873	(14,860)	8,880	462,913
Leased property under capital lease	502,419	50,395	(6,633)	0	546,181
Total accumulated depreciation	<u>8,260,014</u>	<u>711,157</u>	<u>(180,700)</u>	<u>19,280</u>	<u>8,809,751</u>
Total depreciable capital assets, net	<u>16,000,201</u>	<u>(285,294)</u>	<u>(68,462)</u>	<u>25,569</u>	<u>15,672,014</u>
Governmental activities capital assets, net	<u>\$ 16,088,458</u>	<u>(285,294)</u>	<u>(68,462)</u>	<u>25,569</u>	<u>15,760,271</u>

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 40,023
Support services	519,815
Non-instructional	151,319
Total	<u>\$ 711,157</u>

The capital assets include significant amounts of furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

**(6) Long-term Liabilities.**

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

	<u>Balance</u> <u>July 01, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
A. Limited obligation bonds payable \$	5,295,000		(360,000)	0	4,935,000	480,000
B. Three mill notes payable	3,200,000		(140,000)		3,060,000	145,000
C. Obligations under capital lease	331,460		(125,226)	0	206,234	107,275
D. Compensated absences payable	296,196	13,431		54,500	364,127	0
<b>Total \$</b>	<u>9,122,656</u>	<u>13,431</u>	<u>(625,226)</u>	<u>54,500</u>	<u>8,565,361</u>	<u>732,275</u>

**A. Limited obligation bonds payable.**

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
State aid capital improvement Series 1997	4.6-6.4%	1/1/1998	1/1/2009	\$ 7,120,000	\$ 380,000
State aid capital improvement refunding Series 2007	3.7-3.86%	2/27/2007	11/1/2017	\$ 4,555,000	\$ 4,555,000
<b>Totals</b>					<u>\$ 4,935,000</u>

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

Series 1997

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009 \$	380,000	8,740	388,740
<b>Total \$</b>	<u>380,000</u>	<u>8,740</u>	<u>388,740</u>

**(6) Long-term Liabilities continued.**

Series 2007

<u>Year Ending</u>			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009 \$	100,000	168,337	268,337
2010	425,000	160,012	585,012
2011	440,000	144,010	584,010
2012	455,000	127,407	582,407
2013	475,000	110,061	585,061
2014-2018	2,660,000	261,781	2,921,781
Total	\$ 4,555,000	971,608	5,526,608

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, Section 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 8.

**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	4.70%	5/14/2003	5/1/2023	\$ 3,700,000	\$ 3,060,000

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

<u>Year Ending</u>			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	175,000	115,668	290,668
2014-2018	1,000,000	453,725	1,453,725
2019-2023	1,260,000	190,620	1,450,620
Total	\$ 3,060,000	1,295,881	4,355,881

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

**(6) Long-term Liabilities continued.**

**C. Obligations under Capital Lease.**

The 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 at a cost of \$97,917.
2. Wayne County Vocational/Technical Center energy efficiency and management equipment at a cost of \$232,857.
3. Beat Four Elementary School, Wayne County High School, Clara Elementary School, and Waynesboro Middle School energy efficiency and management equipment at a cost of \$375,065.
4. Wayne County Vocational/Technical Center HVAC, electrical and control system at a cost of \$223,706.

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 passes to the school district at the time of this prepayment.

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

<u>Year Ending</u>		<u>Interest and</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Maintenance Charges</u>	<u>Total</u>	
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	\$ 206,234	13,495	219,729	

This debt will be retired from the District Maintenance Fund (Fund 1120), the School Food Fund (Fund 2110), the EEF Buildings and Buses Fund (Fund 2410), and the Vocational Education Fund (Fund 2711).

**D. Compensated absences payable.**

As more fully explained in Note 1(F)(7), 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 in the year of their retirement from the district.

**(7) Prior Year Defeasance of Debt.**

In prior years, the Wayne County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$4,350,000 of bonds outstanding are defeased.

**(8) Pledged revenues.**

The district has pledged a portion of future State Minimum Adequate Education Program revenues to repay \$7,120,000 in limited obligation bonds issued January 1, 1998. Proceeds from the bonds were used to finance capital improvements made to the district's buildings. The bonds are payable solely from the future revenues of the state Minimum Adequate Education Program and are payable through January 1, 2009. The total principal and interest remaining to be paid on the bonds is \$388,740. The district has pledged a portion of future State Minimum Adequate Education Program revenues to repay \$4,555,000 in limited obligation refunding bonds issued February 27, 2007. Proceeds from the bonds were used to finance a portion of the outstanding January 1, 1998 limited obligation bonds in the amount of \$4,350,000. The refunding bonds are payable solely from future revenues of the State Minimum Adequate Education Program and are payable through November 1, 2017. The total principal and interest remaining to be paid on the bonds is \$5,526,608. Principal and interest paid for the current year on these two series and total State Minimum Adequate Education Program revenues were \$555,948 and \$17,240,258, respectively.

**(9) 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, 2008, was 11.85% 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, 2008, 2007 and 2006 were \$2,053,215, \$1,797,958, and \$1,578,218, respectively, equal to the required contributions for each year.

**(10) 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 public schools.

**(10) Sixteenth Section Lands continued.**

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.

<u>Year Ending</u>	
<u>June 30</u>	<u>Amount</u>
2009 \$	37,111
2010	18,488
2011	15,721
2012	13,290
2013	11,471
2014-2018	33,527
2019-2023	11,866
2024-2028	10,170
2029-2033	4,425
2034-2038	1,296
Thereafter	2,078
Total \$	<u>159,443</u>

**(11) 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 liability	(\$54,500)
2. Adjustment to correct a prior year error in recording a capital asset	<u>25,569</u>
	<u>(\$28,931)</u>

**(12) Contingencies.**

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

**(13) Risk Management.**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(14) *Uncertainties.***

The governmental funds financial statements show the general funds of the district is a single column with the heading **General Fund**. The District Maintenance Fund is the general operating fund of the district and is combined with other general funds, including general student activity funds, for financial statement presentation. The fund balance of the general operating fund, the District Maintenance Fund, was \$487,866 at June 30, 2008, which reflects a \$437,041 decrease from the 2007 year. The fund balance equals 2% of subsequent year budgeted revenues for that fund. The Mississippi Department of Education recommends a minimum fund balance of 5% of subsequent year's budgeted revenues in the general operating fund. Therefore, the fund balance of the general operating fund at June 30, 2008, is inadequate to meet the 5% requirement established by the Mississippi Department of Education.

The 2008-2009 budget was approved by the school board. In this budget, expenditures in the District Maintenance Fund exceeded revenues by \$117,072. If fund financial activity does not show significant positive budget to actual variances, the District Maintenance Fund will end the 2008-2009 year with a further deteriorated fund balance.

Fiscal Year 2008-2009 state budget cuts announced mid-year further add to the possibility of continued erosion of the general operating fund's fund balance subsequent to balance sheet date June 30, 2008.

District administration has met with the school board and discussed with them the urgency of this situation and the need for immediate action in the area of fund balance restoration for the general operating fund.

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 Schedule for the General Fund  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 4,394,000	4,002,934	4,137,504	(391,066)	134,570
State sources	18,016,601	17,429,842	17,429,842	(586,759)	0
Federal sources	174,000	478,267	478,267	304,267	0
Sixteenth section sources	678,189	0	0	(678,189)	0
<b>Total Revenues</b>	<b>23,262,790</b>	<b>21,911,043</b>	<b>22,045,613</b>	<b>(1,351,747)</b>	<b>134,570</b>
<b>Expenditures</b>					
Instruction	15,815,107	14,942,648	14,975,639	872,459	(32,991)
Support Services	7,375,293	7,760,676	7,834,195	(385,383)	(73,519)
Noninstructional	153,892	77,931	77,931	75,961	0
Facilities acquisition	0	48,380	25,886	(48,380)	22,494
Debt service					
Principal	433,498	50,409	66,059	383,089	(15,650)
Interest	0	57,000	57,001	(57,000)	(1)
<b>Total Expenditures</b>	<b>23,777,790</b>	<b>22,937,044</b>	<b>23,036,711</b>	<b>840,746</b>	<b>(99,667)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(515,000)</b>	<b>(1,026,001)</b>	<b>(991,098)</b>	<b>(511,001)</b>	<b>34,903</b>
<b>Other Financing Sources (Uses)</b>					
Insurance loss recoveries	0	2,871	2,871	2,871	0
Sale of property	0	2,300	2,300	2,300	0
Other financing sources	575,000	8,968	8,968	(566,032)	0
Operating transfers in	0	4,001,487	1,746,034	4,001,487	(2,255,453)
Operating transfers out	0	(3,372,325)	(1,189,086)	(3,372,325)	2,183,239
<b>Total Other Financing Sources (Uses)</b>	<b>575,000</b>	<b>643,301</b>	<b>571,087</b>	<b>68,301</b>	<b>(72,214)</b>
<b>Net Change in Fund Balances</b>	<b>60,000</b>	<b>(382,700)</b>	<b>(420,011)</b>	<b>(442,700)</b>	<b>(37,311)</b>
<b>Fund Balances</b>					
July 1, 2007	1,257,708	1,257,708	1,257,708	0	0
June 30, 2008	\$ 1,317,708	875,008	837,697	(442,700)	(37,311)

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, 2008

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

SUPPLEMENTARY 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, 2008

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553 \$	450,914
National school lunch program	10.555	1,209,202
Total child nutrition cluster		1,660,116
Total passed-through Mississippi Department of Education		1,660,116
Passed-through Wayne County:		
Schools and road cluster:		
Schools and roads - grants to states	10.665	311,365
Total Schools and road cluster		311,365
Total passed-through Wayne County:		311,365
Total U. S. Department of Agriculture		1,971,481
<u>U. S. Department of Defense</u>		
Direct Program:		
Reserve officer's training corps	12.XXX	55,960
Total U. S. Department of Defense		55,960
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal fund	32.XXX	47,523
Total Federal Communications Commission		47,523
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,688,207
Career and technical education - basic grants to states	84.048	55,502
State grants for innovative programs	84.298	7,750
Safe and drug-free schools and communities - state grants	84.186	22,908
Educational technology state grants	84.318	26,073
Rural education	84.358	150,370
Improving teacher quality - state grants	84.367	363,474
Grants for state assessments and related activities	84.369	21,829
Total		2,336,113
Special education cluster:		
Special education - grants to states	84.027	1,221,213
Special education - preschool grants	84.173	70,762
Total special education cluster		1,291,975
Total passed-through Mississippi Department of Education		3,628,088
Total U. S. Department of Education		3,628,088
<u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	42,570
Total passed-through Mississippi Department of Education		42,570
Total U. S. Department of Health and Human Services		42,570

Total for all Federal Awards

\$ 5,745,622

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, 2008

Expenditures	Total	Instructional and Other Student Instructional			
		Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	23,712,026	18,055,304	1,135,474	1,514,553	3,006,695
Other	7,744,335	2,860,633	253,386	70,664	4,559,652
Total	<u>31,456,361</u>	<u>20,915,937</u>	<u>1,388,860</u>	<u>1,585,217</u>	<u>7,566,347</u>
 Total number of students *	 3,848				
 Cost per student	 \$ <u>8,175</u>	 <u>5,436</u>	 <u>361</u>	 <u>412</u>	 <u>1,966</u>

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  
OTHER SUPPLEMENTARY INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
All Governmental Funds - Last Four Years

"Unaudited"

	<u>Fiscal Year Ending June 30,</u>			
	<u>2008</u>	<u>2007 **</u>	<u>2006 **</u>	<u>2005 **</u>
<b>Revenues</b>				
Local sources	\$ 4,838,759	5,228,028	5,020,836	4,720,376
State sources	18,660,134	18,360,166	17,647,197	16,294,643
Federal sources	5,745,622	4,998,178	5,341,983	5,247,695
Sixteenth section sources	10,089,900	1,725,173	1,167,385	1,187,659
<b>Total Revenues</b>	<b>39,334,415</b>	<b>30,311,545</b>	<b>29,177,401</b>	<b>27,450,373</b>
<b>Expenditures</b>				
Instruction	18,616,857	17,540,846	17,017,955	15,509,340
Support services	9,544,624	8,028,999	8,351,394	7,885,482
Noninstructional	2,150,161	2,298,597	2,098,289	2,247,473
Sixteenth section	81,378	82,661	51,058	72,786
Facilities acquisition	25,886	516,616	1,501,483	1,435,586
Debt service				
Principal	625,226	599,766	710,067	674,150
Interest	408,871	480,177	468,021	507,591
Other	3,358	82,865	1,819	-
<b>Total Expenditures</b>	<b>31,456,361</b>	<b>29,630,527</b>	<b>30,200,086</b>	<b>28,332,408</b>
<b>Excess (Deficiency) of Revenues     Over Expenditures</b>	<b>7,878,054</b>	<b>681,018</b>	<b>(1,022,685)</b>	<b>(882,035)</b>
<b>Other Financing Sources (Uses)</b>				
Insurance loss recoveries	2,871	55,795	937,083	111,797
Sale of property	3,076	759	-	1,304
Proceeds of refunding bonds	-	4,555,000	-	-
Other financing sources	8,968	-	-	-
Transfers in	2,935,120	2,735,898	2,951,803	4,512,959
Transfers out	(2,935,120)	(2,735,898)	(2,951,803)	(4,488,918)
Payment to refunded bond escrow agent	-	(4,350,000)	-	-
Discount on refunding bonds	-	(47,304)	-	-
Other financing uses	(6,028)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>8,887</b>	<b>214,250</b>	<b>937,083</b>	<b>137,142</b>
<b>Net Change in Fund Balances</b>	<b>7,886,941</b>	<b>895,268</b>	<b>(85,602)</b>	<b>(744,893)</b>
<b>Fund Balances</b>				
July 1	7,633,103	6,579,316	6,725,494	7,464,450
Prior Period Adjustments	-	159,394	(64,328)	7,991
July 1, adjusted	7,633,103	6,738,710	6,661,166	7,472,441
Increase (decrease) in inventory	(15,287)	(875)	3,752	(2,054)
June 30	\$ 15,504,757	7,633,103	6,579,316	6,725,494

\*\* Numbers taken from prior year audit reports.

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
General Fund - Last Four Years

"Unaudited"

	<u>Fiscal Year Ending June 30,</u>			
	<u>2008</u>	<u>2007 **</u>	<u>2006 **</u>	<u>2005 **</u>
<b>Revenues</b>				
Local sources	\$ 4,137,504	4,448,716	4,292,180	4,019,998
State sources	17,429,842	16,996,348	16,369,403	15,063,205
Federal sources	478,267	646,298	464,115	463,669
<b>Total Revenues</b>	<b>22,045,613</b>	<b>22,091,362</b>	<b>21,125,698</b>	<b>19,546,872</b>
<b>Expenditures</b>				
Instruction	14,975,639	14,265,987	13,358,069	12,357,983
Support services	7,834,195	6,760,165	6,811,454	6,505,798
Noninstructional	77,931	129,037	122,685	294,225
Facilities acquisition	25,886	203,571	623,811	741,413
Debt service				
Principal	66,059	63,204	60,473	255,499
Interest	57,001	70,840	27,604	32,165
<b>Total Expenditures</b>	<b>23,036,711</b>	<b>21,492,804</b>	<b>21,004,096</b>	<b>20,187,083</b>
<b>Excess (Deficiency) of Revenues</b>				
Over Expenditures	(991,098)	598,558	121,602	(640,211)
<b>Other Financing Sources (Uses)</b>				
Insurance loss recoveries	2,871	55,795	937,083	111,797
Sale of property	2,300	759	-	1,304
Other financing sources	8,968	-	-	-
Transfers in	1,746,034	857,525	1,020,999	3,227,757
Transfers out	(1,189,086)	(1,390,272)	(1,920,503)	(4,166,579)
<b>Total Other Financing Sources (Uses)</b>	<b>571,087</b>	<b>(476,193)</b>	<b>37,579</b>	<b>(825,721)</b>
<b>Net Change in Fund Balances</b>	<b>(420,011)</b>	<b>122,365</b>	<b>159,181</b>	<b>(1,465,932)</b>
<b>Fund Balances</b>				
July 1	1,257,708	975,949	804,704	2,038,297
Prior Period Adjustments	-	159,394	12,064	232,339
July 1, adjusted	1,257,708	1,135,343	816,768	2,270,636
June 30	\$ 837,697	1,257,708	975,949	804,704

\*\* Numbers taken from prior year audit reports.

WAYNE COUNTY SCHOOL DISTRICT

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## 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**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL 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, 2008, which collectively comprise Wayne County School District's basic financial statements and have issued my report thereon dated June 18, 2009. 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 opinions 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 described 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 2008-01, 2008-02, and 2008-03 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 necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I consider the significant deficiency described above in Finding 2008-01 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 statement 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 certain immaterial instances of noncompliance or other matters that I have reported to management of the school district in a separate letter dated May 5, 2009, which is included in this report.

Wayne County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit the School District's responses and, accordingly, express no opinion on them.

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.

*Buzanne S. Smith, CPA*

Meridian, MS  
June 18, 2009

**Suzanne E. Smith**  
**Certified Public Accountant**  
**P.O. Box 7124**  
**Meridian, MS 39304**  
**Phone: (601) 482-8040**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRULAR 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, 2008. 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, 2008.

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.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a certain deficiency in internal control

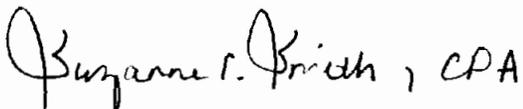
over compliance that I consider to be a significant deficiency.

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. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-04 to be a significant deficiency.

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 will not be prevented or detected by the entity's internal control. I do not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-04 to be a material weakness.

Wayne County School District's response to the finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. I did not audit Wayne County School District's response and, accordingly, I express no opinion on it.

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.

 Suzanne L. Smith, CPA

Meridian, MS  
June 18, 2009

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**  
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**Meridian, MS 39304**  
**Phone: (601) 482-8040**

INDEPENDENT AUDITOR'S 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, 2008, which collectively comprise Wayne County School District's basic financial statements and have issued my report thereon dated June 18, 2009. 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 the following instance of noncompliance. The noncompliance is reported in finding number State Legal 2008-02 below. The district reported \$195,162 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 functional 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.

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 procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. My findings and your responses are as follows:

Finding: State legal 2008-01.

Combining Budgets should be approved by the board and documented.

Section 37-6-17, Miss. Code Ann. (1972), states that it shall be the duty of the Department of Education to prescribe the forms for the school 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 "revised portions of the budget shall be incorporated in the minutes of the school board by spreading them on the minutes or attaching them to the minutes as an addendum. Final budget revisions for the year must 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 an original combined summary budget was approved by the school board. A combining budget to support this board-approved document was not attached to the minutes of the meeting; therefore, determining the individual fund budgets was not possible. 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. An amended budget was approved by the school board October 6, 2008. A combining document was available to support this approved amended budget.

#### 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 approved by the school board.

#### Response

In the future, a combining budget schedule will be included with the October board minutes and on the board agenda for review and approval that month. It will provide documentation of the fund-by-fund amended budget numbers.

---

#### Finding: State Legal 2008-02.

#### Educational enhancement funds not properly allocated. Principals not notified of remaining funds at March 31, 2008.

Code Section 37-61-33(3)(a) requires that all current instructional supply funding provided through educational enhancement funds and any monies remaining that are not in approved spending plans be allocated equally among qualifying classroom teachers at the beginning of each school year. Any funds allocated under this section which are not reserved in an approved spending plan but that remain unspent on March 31 of the fiscal year in which the funds were allocated must be utilized by the school where the teacher/s is/are employed for instructional supply and equipment purposes.

The school district carried forward into the 2007-2008 year \$195,162 in classroom supply funds allotted by the legislature under the educational enhancement authority. These carryforward monies were not combined with the \$47,392 in current year funding to be allocated to all qualifying teachers in the district, but remained unallocated and unspent at the end of the fiscal year. The current year funding was allocated correctly on a per teacher basis, but the carryforward was not properly allocated. Principals were not given an opportunity to expend remaining unallocated pooled school allocations after March 31, 2008 for instructional supply and equipment purposes.

#### Recommendation

I recommend that the district begin all carryforward amounts of educational enhancement classroom supply money by combining the carryforward amounts not reserved in approved spending plans with the current allocation and dividing the total amount among qualifying school personnel for spending. I further recommend that principals be notified of remaining unallocated amounts after March 31 of each year and be given the opportunity to expend such amounts for supply and equipment purposes.

Response

At June 30, 2009, there was \$122,528 of unallocated and unspent funds remaining in the Educational Enhancement Fund for Instructional Materials and Supplies. This money will be allocated and spent during the 2009-2010 fiscal year.

Finding State Legal 2008-03.

A sole source purchase was not evidenced by proper, timely school board approval.

Mississippi Code Section 31-7-13(1)(viii) requires that the purchase of noncompetitive items available from one source that exceed the threshold for competitive bidding be made only after a certification of the conditions and circumstances requiring the purchase is filed with the school board of the district. After such certification is filed, the board may authorize the purchase, which authority shall be noted in the minutes of the board at the next regular meeting thereafter.

The district purchased \$174,967 in educational software/license that qualified as a sole source purchase. The purchase was made in March 2008. The proper certification was not filed with the school board until August 25, 2008, a delay of five months.

Recommendation

I recommend that appropriate certification be filed with the school board on a timely basis for all sole source purchases as required in Code Section 31-7-13.

Response

We will make every effort to see that all sole source purchases made in the future are properly certified and approved by the school board before the purchase is made.

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.

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

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

*Buzanne S. Smith, CPA*

Meridian, MS  
June 18, 2009

WAYNE COUNTY SCHOOL DISTRICT

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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, 2008**

**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?   | Yes         |
| 6. Any audit finding(s) reported as required by section ____510(a) of Circular A-133?   | Yes         |
| 7. Federal programs identified as major programs:   |             |
| a. Special Education Cluster<br>CFDA # 84.027<br>CFDA # 84.173  |             |
| b. Child Nutrition Cluster<br>CFDA # 10.553, 10.555   |             |
| c. Schools and roads – grants to states<br>CFDA # 10.665  |             |
| 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**

#### **2008-01. Finding. Failure to make necessary accrual adjustments and reverse prior year accruals and deferrals**

The Governmental Funds statements are presented on the modified accrual basis of accounting, while the Government-wide statements are presented on the full accrual basis of accounting. Appropriate accruals and deferrals of revenues and expenditures are required in order to present the statements on the proper basis of accounting.

The district failed to accrue ad valorem revenues in the amount of \$138,656 at June 30, 2008, and failed to reverse a federal revenue deferral that was deferred at June 30, 2007. The district failed to accrue \$172,664 in federal awards revenues at June 30, 2008. Instead, the district showed a series of interfund transfers from the general operating fund totaling \$172,664 as other financing sources in the federal awards funds. This resulted in a material understatement of revenues and an overstatement of other financing sources.

Accrued liabilities from a previous year were not reversed during the 2007-2008 year, resulting in an overstatement of \$32,073 in expenditures.

Audit adjustments were proposed during the audit to correct the failure to properly adjust accruals and deferrals in the accounting records.

### **Recommendation**

I recommend that both the Governmental Funds statements and the Government-wide statements be supported by appropriate revenue and expenditure accruals and deferrals at balance sheet date.

### **Control Deficiencies Not Considered to be Material Weaknesses**

#### **2008-02. 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 not adequately segregated at the each school:

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

This increases the risk that unauthorized transactions could be processed or authorized transactions could fail to be processed and not detected by school district business department employees in the normal course of their day-to-day duties. The schools collected in excess of \$844,958 in total general activity fund revenues during the 2007-2008 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. While limited reconciliation of the profit earned with the profit expected exists in some of the schools, there is no formal independent verification of profit earned on such fundraising activities. 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**

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 fundraising activities and related programs function in such a way as to ensure that all sales and profits associated with the events are deposited intact on a timely basis and that the realized profit is reasonable and independently verified.

**2008-03. Finding. Lack of controls surrounding payroll hours for non-professional, nonexempt employees**

The school district pays nonexempt hourly workers in equal installments and utilizes an automated timekeeping system for hourly workers to capture actual hours worked. The system is designed to monitor hours worked below and above the scheduled hours. The system is also designed to capture any overtime hours worked so that these overtime hours can be paid at regular time plus one-half regular time rate for such overtime hours.

While the basic design of the system would serve to protect the integrity of hours paid as compared to hours worked, actual amounts paid are not always adjusted to reflect the actual hours worked. During test work, I noted that some employees worked less than 8 hours a day but were paid for 8 hours a day. One maintenance worker did not punch a time clock at all for the month tested. Several bus drivers and cafeteria workers were paid for less hours than they actually worked, even though the time records supported the higher number of hours. Several instances of timekeeping system-documented overtime were not paid at the higher overtime rate. In general, hourly nonexempt workers are being treated as salaried employees with respect to wages paid.

**Recommendation**

The reports generated by the timekeeping system should be analyzed before payment is made to hourly nonexempt workers. The district should implement controls and a process that would ensure all hours worked are paid and that all paid hours are supported by actual time worked. Any overtime hours worked should be paid at the appropriate overtime rate.

**Section 3: Federal Award Findings and Questioned Costs**

**Control Deficiencies Not Considered to be a Material Weakness**

**2008-04. Finding. Special Education Cluster – Reporting.**

The financial reporting requirements for sub-recipients (the district) are specified by the pass-through entity (Mississippi Department of Education). The department requires that an annual expenditure report be submitted by the school district by September 30 of each year, outlining the expenditures for the previous year. The report detailing Special Education Cluster awards was submitted on August 15, 2008, for the fiscal year ending June 30, 2008. The numbers presented on the report did not agree with the financial accounting records for the same period. \$45,635.72 in expenditures under CFDA award 84.027 (Special education – grants to states) and \$18,820.12 in expenditures under CFDA award 84.173 (Special education – preschool grants) were not included on the report submitted to the Mississippi Department of Education. The reason for this difference is not known.

**Recommendation**

The financial reports submitted to the pass-through entity should agree to the financial accounting records for the same period. A business department employee with knowledge of the financial software system should provide oversight to the federal program office responsible for the preparation of such reports. All submitted reports should be approved by this business department employee before the reports are submitted to the Mississippi Department of Education.

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT  
AUDITEE'S CORRECTIVE ACTION PLAN



Robert Dean,  
Superintendent of Education

Keith Clay,  
Deputy Superintendent of Education

# WAYNE COUNTY SCHOOL DISTRICT

*"Building Tomorrow's Leaders Today"*

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

## Corrective Action Plan

### Section 2 Findings

**2008-01.** Failure to make necessary accrual adjustments and reverse prior year accruals and deferrals.

- a. Person responsible for corrective action – Doug Everitt, Business Manager (601) 735-4871
- b. Corrective action – Year-end accruals will be made for all appropriate revenues. Any necessary reversals will be recorded, and all liability accruals will be adjusted as necessary at June 30, 2009.
- c. When the corrective action will take place – Immediately

**2008-02.** Lack of segregation of duties in local school activity fund receipting/handling.

- a. Person responsible for corrective action – Doug Everitt, Business Manager (601) 735-4871 and Robert Dean, Superintendent (601) 735-4871
- b. Corrective action – We will initiate a report to track the receipts, expenses and profitability of each school-wide fund raiser at each of our schools. These reports will be prepared at the schools, signed by the individual principals, and sent to the district Business Manager, who will review each report and audit selected ones. This new procedure will definitely strengthen a control weakness.
- c. When the corrective action will take place – August 2009

**2008-03.** Lack of controls surrounding payroll hours for non-professional, nonexempt employees.

- a. Person responsible for corrective action – Doug Everitt, Business Manager (601) 735-4871 and Robert Dean, Superintendent (601) 735-4871
- b. Corrective action – The district is evaluating a new timekeeping system sold and supported by Central Access, which will tie in directly to our payroll system within Marathon. The system we have used since 2002 has no such interface feature, and it requires a great deal of manual work to make sure that hours worked outside the normal scheduled hours are properly compiled and paid. We recognize the need for tighter control over this system, and we plan to correct this deficiency quickly.
- c. When the corrective action will take place – Immediately

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## **Section 3 Findings**

### **2008-04. Special Education Cluster – Reporting.**

- a. Person responsible for corrective action – Doug Everitt, Business Manager (601)735-4871 and Prince Staten, Special Education Director (601) 735-4871**
- b. Corrective action – Reports submitted to the Mississippi Department of Education will be reviewed by the business department and reconciled to the official accounting records in the future.**
- c. When the corrective action will take place - Immediately**

